



# Tweed Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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"TOGETHER FORWARD"



**TWEED**  
SHIRE COUNCIL

## Tweed Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2016

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Tweed Shire Council.

(ii) Tweed Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities is provided in Note 2(b).

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 27 October 2016. Council has the power to amend and reissue these financial statements.

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## Tweed Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2016

### Understanding Council's financial statements

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#### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their Council and community.

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's 'net wealth'.

##### 5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.



## Tweed Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

**The attached General Purpose Financial Statements have been prepared in accordance with:**

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 27 October 2016.**

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Katie Milne  
Mayor

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Gary Bagnall  
Councillor

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Troy Green  
General Manager

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Michael Chorlton  
Responsible Accounting Officer



## Tweed Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
98,086	Rates and annual charges	3a	100,450	95,698
41,375	User charges and fees	3b	45,634	40,716
7,751	Interest and investment revenue	3c	8,666	8,936
1,875	Other revenues	3d	2,910	3,829
16,273	Grants and contributions provided for operating purposes	3e,f	21,261	20,195
9,750	Grants and contributions provided for capital purposes	3e,f	23,166	45,482
<u>175,110</u>	<b>Total income from continuing operations</b>		<u>202,087</u>	<u>214,856</u>
<b>Expenses from continuing operations</b>				
51,595	Employee benefits and on-costs	4a	53,162	50,163
12,977	Borrowing costs	4b	13,400	13,650
48,282	Materials and contracts	4c	41,953	44,330
42,058	Depreciation and amortisation	4d	41,135	45,043
15,293	Other expenses	4e	12,830	13,303
–	Net losses from the disposal of assets	5	8,282	5,681
<u>170,205</u>	<b>Total expenses from continuing operations</b>		<u>170,762</u>	<u>172,170</u>
<u>4,905</u>	<b>Operating result from continuing operations</b>		<u>31,325</u>	<u>42,686</u>
<u>4,905</u>	<b>Net operating result for the year</b>		<u>31,325</u>	<u>42,686</u>
4,905	<b>Net operating result attributable to Council</b>		<u>31,325</u>	<u>42,686</u>
<u>(4,845)</u>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<u>8,159</u>	<u>(2,796)</u>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Tweed Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>31,325</b>	<b>42,686</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,247	86,714
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,247</b>	<b>86,714</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>2,247</b>	<b>86,714</b>
<b>Total comprehensive income for the year</b>		<b>33,572</b>	<b>129,400</b>
<b>Total comprehensive income attributable to Council</b>		<b>33,572</b>	<b>129,400</b>

## Tweed Shire Council

## Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	9,530	11,517
Investments	6b	123,689	123,898
Receivables	7	13,604	17,501
Inventories	8	931	919
Other	8	711	645
<b>Total current assets</b>		<b>148,465</b>	<b>154,480</b>
<b>Non-current assets</b>			
Investments	6b	136,520	99,817
Receivables	7	100	77
Infrastructure, property, plant and equipment	9	2,864,745	2,866,392
Intangible assets	25	415	276
<b>Total non-current assets</b>		<b>3,001,780</b>	<b>2,966,562</b>
<b>TOTAL ASSETS</b>		<b>3,150,245</b>	<b>3,121,042</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	14,904	14,927
Borrowings	10	7,681	7,221
Provisions	10	20,495	18,250
<b>Total current liabilities</b>		<b>43,080</b>	<b>40,398</b>
<b>Non-current liabilities</b>			
Payables	10	543	416
Borrowings	10	170,689	177,072
Provisions	10	4,970	5,765
<b>Total non-current liabilities</b>		<b>176,202</b>	<b>183,253</b>
<b>TOTAL LIABILITIES</b>		<b>219,282</b>	<b>223,651</b>
<b>Net assets</b>		<b>2,930,963</b>	<b>2,897,391</b>
<b>EQUITY</b>			
Retained earnings	20	1,350,980	1,319,528
Revaluation reserves	20	1,579,983	1,577,863
Council equity interest		2,930,963	2,897,391
<b>Total equity</b>		<b>2,930,963</b>	<b>2,897,391</b>



## Tweed Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		1,318,584	1,577,863	2,896,447	–	2,896,447
a. Correction of prior period errors	20 (c)	944	–	944	–	944
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>1,319,528</b>	<b>1,577,863</b>	<b>2,897,391</b>	<b>–</b>	<b>2,897,391</b>
<b>c. Net operating result for the year</b>		<b>31,325</b>	<b>–</b>	<b>31,325</b>	<b>–</b>	<b>31,325</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	2,247	2,247	–	2,247
<b>Other comprehensive income</b>		<b>–</b>	<b>2,247</b>	<b>2,247</b>	<b>–</b>	<b>2,247</b>
<b>Total comprehensive income</b> (c&d)		<b>31,325</b>	<b>2,247</b>	<b>33,572</b>	<b>–</b>	<b>33,572</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		127	(127)	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,350,980</b>	<b>1,579,983</b>	<b>2,930,963</b>	<b>–</b>	<b>2,930,963</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		1,256,878	1,491,149	2,748,027	–	2,748,027
a. Correction of prior period errors	20 (c)	19,964	–	19,964	–	19,964
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>1,276,842</b>	<b>1,491,149</b>	<b>2,767,991</b>	<b>–</b>	<b>2,767,991</b>
<b>c. Net operating result for the year</b>		<b>42,686</b>	<b>–</b>	<b>42,686</b>	<b>–</b>	<b>42,686</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	86,714	86,714	–	86,714
<b>Other comprehensive income</b>		<b>–</b>	<b>86,714</b>	<b>86,714</b>	<b>–</b>	<b>86,714</b>
<b>Total comprehensive income</b> (c&d)		<b>42,686</b>	<b>86,714</b>	<b>129,400</b>	<b>–</b>	<b>129,400</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>1,319,528</b>	<b>1,577,863</b>	<b>2,897,391</b>	<b>–</b>	<b>2,897,391</b>

## Tweed Shire Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
97,806			100,790	96,233
40,309			46,708	48,469
7,547			8,930	8,232
26,827			41,440	39,527
–			259	589
2,023			6,597	10,859
<b>Payments:</b>				
(50,123)			(51,773)	(48,503)
(50,120)			(46,500)	(47,934)
(12,989)			(12,935)	(13,071)
–			–	(856)
(15,293)			(13,753)	(14,270)
<u>45,987</u>		11b	<u>79,763</u>	<u>79,275</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–			67,332	79,805
3,559			2,919	1,796
–			–	207
<b>Payments:</b>				
(7,387)			(103,961)	(126,092)
(31,144)			(41,580)	(38,074)
–			(18)	–
<u>(34,972)</u>			<u>(75,308)</u>	<u>(82,358)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,976			1,976	6,046
<b>Payments:</b>				
(7,731)			(8,418)	(7,853)
<u>(5,755)</u>			<u>(6,442)</u>	<u>(1,807)</u>
5,260			(1,987)	(4,890)
5,000		11a	11,517	16,407
<u>10,260</u>		11a	<u>9,530</u>	<u>11,517</u>
Additional Information:				
		6b	260,209	223,715
<b>Total cash, cash equivalents and investments</b>			<u>269,739</u>	<u>235,232</u>

Please refer to Note 11 for additional cash flow information

## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in their general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### The Local Government Reporting Entity

For the period 1 July 2015 to 30 June 2016 Tweed Shire Council had its principal business office at the Murwillumbah Civic Centre, Tumbulgum Road, Murwillumbah NSW 2484. Tweed Shire Council is empowered by the Local Government Act and its Charter is specified in Section 8 of that Act.

A description of the nature of the Council's operations and its principal activities are provided in Note 2(b) of these financial statements. Tweed Shire Council is classified as a "Not for Profit" entity as defined by the Australian Accounting Standards.

The General Purpose Financial Statements incorporate the assets and liabilities of all entities controlled by Council (the parent entity) and the results of all controlled entities for the financial period ended 30 June 2016. They include the consolidated fund and other entities through which Council controls resources to carry on its functions. In the process of reporting Council as a single unit, all transactions and balances between activities (for example, loans and transfers) have been eliminated.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 (as amended) and Regulation,

- The Local Government Code of Accounting Practice and Financial Reporting.

###### (ii) Compliance with International Financial Reporting Standards (IFRS)

Because AASB are sector neutral, some standards either:

- have local Australian content and prescription that is specific to the Not for Profit sector (including Local Government) which are not in compliance with IFRS, or
- specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act 1993 (as amended) (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in New South Wales only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in the financial statements this year which materially impacted on Council's reported financial position, performance or cash flows.

###### (iv) Early Adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

###### (v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- certain financial assets and liabilities at fair value through profit or loss and available-for-



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

sale financial assets which are all valued at fair value,

- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non-current assets (e.g. Infrastructure, Property, Plant and Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

#### (vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated [refer Note 20 (d)].

#### (vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of Infrastructure, Property, Plant and Equipment.
- (ii) Estimated tip remediation provisions.

#### **Critical judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Council has used significant judgement in determining the useful lives of assets and the associated consumption (depreciation expense).

#### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over these assets.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables is not generally established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Impairment on receivables are only provided where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it and:

- (i) it is probable that the economic benefits comprising the contribution will flow to the Council and
- (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consent Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

#### User Charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

#### Disposal of Infrastructure, Property, Plant and Equipment

The disposal of an asset is determined when control of the asset has irrevocably passed to the buyer, or the asset is scrapped.

#### Interest, Rents and Other Income

Interest, rents and other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned in accordance with AASB 139.

#### (c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities or operations that it **controls** as at 30 June 2016 and (ii) all the related operating results for the financial year ended the 30 June 2016.

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

*General Purpose Operations*  
*Water Supply*  
*Sewerage Service*  
*Tweed Coast Holiday Parks*

Council does not have any minority interest in other entities.

Council is a member of the Far North Coast Weeds but has no equity in its operation.

##### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

##### (iii) Joint Ventures

###### Introduction

Council's objectives can in some cases be best met through the use of separate entities and operations.

Generally, these types of operations and entities could range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, bodies and other outside organisations.

Section 358 of the *Local Government Act 1993* (as amended) restricts councils in forming or participating in the formation of a corporation or other entity without first obtaining the consent of the Minister for Local Government. The restriction also extends to acquiring a controlling interest in a corporation or other entity.

An entity for the purpose of section 358 of the Act means any partnership, trust, joint venture, syndicate or other body (whether or not incorporated). It does not include any such entity that is of a class prescribed by the Local Government (General) Regulation 2005 as not being within this definition. To date, the Regulation has not prescribed such a class.

It should be noted that the restrictions on the formation of corporations and other entities does not prevent a council from being a member of a co-operative society or a company limited by guarantee and licensed not to use the word "limited" in its name.

DLG Circular 07-49

At present Council has interests in the following entities:-

##### **Richmond Tweed Regional Library (RTRL)**

The Richmond-Tweed Regional Library was established in January 1971, when Lismore City Council and Ballina Shire Council signed an agreement to develop a joint free public library service. They were quickly joined by Byron Shire Council and Tweed Shire Council, and the Richmond-Tweed Regional Library Service was created.

Currently the Regional Library serves a rapidly growing regional population of approximately 215,000, almost 50% of whom are registered library members. Lismore City Council is the 'Executive Council' of the Richmond Tweed Regional Library.

Richmond Tweed Regional Library is not a separate legal entity and as such all financial reporting is consolidated with the Financial Statements prepared by Lismore City Council.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Rous County Council (RCC)

The former Far North Coast County Council, trading as Far North Coast Weeds (FNCW), worked with a wide range of stakeholders to combat the spread of noxious weeds in the Northern Rivers region of NSW.

The Council was dissolved on 1 July, 2016 arising from the amalgamation with Rous County Council. Tweed Shire Council has entered into a service level agreement with Rous County Council to ensure ongoing provision of noxious weeds services within the Tweed Shire.

##### North East Weight of Loads Group (NEWLOG)

The aims and objectives of NEWLOG are to preserve the road system asset and promote road safety, by encouraging heavy vehicles to comply with weight regulations on local and classified roads.

The member Councils are Tweed, Byron, Ballina, Kyogle, Richmond Valley, Lismore City, Clarence Valley and Tenterfield Council and the Group is administered by Ballina Shire Council.

NEWLOG is a cooperative activity that relies on income from contributions from member Councils, a contribution from NSW Roads and Maritime Services and income from fines.

##### Arrangements - Control and Influence

###### Associated Entities and Joint Venture Entities

Arrangements in the form of a separate entity that deploys the resources of the operation itself; under 'associated entities', a party significantly influences the operations but does not control them, whilst for joint venture entities; a party jointly controls the operations with other parties.

###### Joint Venture Operations

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants; under joint venture operations, a party jointly controls the operations with the other parties involved.

##### Definitions (AASB 131)

*Control* is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.

*Significant influence* is the power to participate in the financial and operating policy decisions of an economic activity but is not control or joint control over those policies.

*Joint control* is the contractually agreed sharing of control over an economic activity and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

A *joint venture* is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

##### Accounting Treatment

The accounting and reporting for the various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of (i) interest and (ii) control and the type (form) of entity/operation and the overall materiality to Council's operations.

###### Joint Venture Entities

Equity Method - an interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

###### Joint Venture Operations

Proportionate consolidation - a venturer's share of each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's financial



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

statements or reported as separate line items in the venturer's financial statements.

##### Associated Entities

Equity Method - an interest in an associated entity is initially recorded at cost and adjusted thereafter for the post-acquisition change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

##### Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

##### (d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

##### Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the leases' inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows and Statement of Financial Position presentation purposes, cash and cash equivalents includes;

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into Cash and Cash Equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired and at the time it was acquired.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Council determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the Statement of Financial Position date.

##### (ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets.

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council has the positive intention and ability to hold to maturity.

In contrast to the "Loans and Receivables" classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless Council intends to dispose of the investment within 12 months of the Statement of Financial Position date or the term to maturity from the reporting date is less than 12 months.

##### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### General Accounting and Measurement of Financial Instruments:

##### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent Measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the Income Statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as "**available-for-sale**" are sold or impaired, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

##### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, Council may measure impairment on the basis of an instrument's fair value using an observable market price.

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with Section 625 of the Local Government Act 1993 (as amended) and Clause 212 of the Local Government (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it and its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

##### (g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates and Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when

there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment

The use of an asset over its service life requires the injection of both capital funds to prolong its use and maintenance expenditure to keep the asset in working order.

As a general guide, repair and maintenance of an asset is an expense of one accounting period, whereas a capital expenditure changes or replaces the service potential of the asset and is expensed over the useful remaining life of the asset.

##### Maintenance Expenditure on an asset

Expenditure on assets should be treated as maintenance expenditure in the following circumstances:

- It is part of an ongoing, regular or rotational maintenance, repairs and maintenance program.
- It will not significantly increase the service potential or useful life of the asset.
- It relates to repair of localised problems such as subsidence, breaking up, etc.
- The basic qualities of the asset are not being upgraded.
- Whilst relating to the acquisition or upgrading of an asset, it is not material to the total value of the relevant nature / type asset category

##### Capital Expenditure on an asset

Expenditure on assets should be classified as capital expenditure in the following circumstances, provided it is material to the total value of the relevant nature/type asset category:

- It is expected to significantly increase the practical capacity or useful life of the asset.
- It is an upgrading of the basic qualities of the asset.
- It is a renewal of an existing asset, which had reached the point of being unserviceable.
- It is reconstruction of an asset, which was destroyed.

##### Initial Recognition and Capitalisation of Costs

On initial recognition, an asset's cost is measured at its fair value.

Expenditure that is directly attributable to the acquisition should be capitalised when:-

- It is probable that future (i.e. beyond the current financial year) economic benefits associated with the item will flow to Council; and
- The cost of the item can be measured reliably, and this amount (excluding any refundable taxes i.e. GST etc) is equal to or greater than the asset capitalisation thresholds stated below.

An assessment of control of the asset is required where it is uncertain as to whether the future economic benefit associated with the item will flow to the entity (Council).

The following test is applied:

1. Council can deny or regulate access of others to the asset.
2. The asset is held to meet the objectives of Council.
3. Council enjoys the majority of risks and benefits relating to the asset.

The initial cost of an asset should include the following items:

- Any directly attributable costs associated with bringing the asset to the location and



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

condition necessary for it to be capable of operating in the manner intended by Council including; initial delivery and handling costs; costs of site preparation; installation and assembly costs.

- Purchase price, including import duties, professional fees and non refundable purchase taxes, after deducting trade discounts and rebates.
- The cost of employees/contract staff including: design, survey, project management, supervision, and construction staff and their associated on-costs, set each financial year, to recover workers compensation, superannuation, leave entitlements and training expenses.
- Fleet/plant hire costs (predominately internal hire rates set by the Manager Infrastructure Delivery)
- Initial estimate of costs of decommissioning, dismantling and removing the item and restoring the site on which it is located, where the Council is under an obligation to do so and the amount can be reliably measured (i.e. make good).

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where Infrastructure, Property, Plant and Equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Capitalisation Procedures

During the budget process, project expenditure is identified and classified as a capital or operating item on the general ledger. Capital or operating

employee/plant costs are collected through weekly timesheet allocations, whilst other costs are primarily captured using the purchasing system.

At year end all project expenditures with substantial transactions are re-evaluated to assess whether they remain a capital or operating expense. These identified capital project expenditures can include the design and survey costs of future, yet to be constructed assets.

Asset capitalisation is finalised upon the commissioning of the asset. Capital costs incurred prior to commissioning, in prior financial periods, are held in the Works In Progress (WIP) accounts.

Assets are separated into component parts, where practical, as each major part may have a different useful life and require a different depreciation rate.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

#### Categories of assets

Council will categorise Infrastructure, Property, Plant and Equipment into the following asset classes as required by the Local Government Code of Accounting Practice and Financial Reporting;

- Plant and Equipment  
(as approximated by depreciated historical cost)
- Office Equipment  
(as approximated by depreciated historical cost)
- Furniture and Fittings  
(as approximated by depreciated historical cost)
- Operational Land (external valuation)



## Tweed Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2016

## Note 1. Summary of significant accounting policies (continued)

- Community Land (Valuer Generals valuation) includes Council administered Crown land.
- Land under roads (englobo valuation – refer Note 1 (I))
- Buildings – Specialised / Non Specialised (external valuation)
- Other Structures (as approximated by depreciated historical cost)
- Investment Properties (external valuation)
- Infrastructure Assets include roads, bridges, footpaths, bulk earthworks, stormwater drainage, water supply and sewerage networks, swimming pools, open space/recreation assets and other infrastructure (internal/external valuation)
- Other Assets (internal/external valuation)
- Reinstatement, Rehabilitation and Restoration Assets includes tip and quarry assets (internal valuation)

**Asset Revaluations (including Indexation)**

Council's non-current assets are continually revalued over a 5 year period in accordance with the fair valuation policy as mandated by the Office of Local Government.

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant and Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the Income Statement, then that increase is first recognised in Income Statement.
- Decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets, transport and drainage assets and building assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Department of Primary Industries, Office of Water -

Rates Reference Manual and to the Australian Bureau of Statistics – 3101 PPI - Road and Bridge Construction NSW and 3020 PPI Non-residential Building Construction NSW Cost Indexes.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

**Capitalisation Thresholds**

Items of Infrastructure, Property, Plant and Equipment are not capitalised unless their cost of acquisition exceeds the following;

<b>Land</b>	
- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under roads	100% Capitalised

<b>Plant and Equipment</b>	
- Office furniture	> \$5,000
- Office equipment	> \$5,000
- Other plant and equipment	> \$2,000

<b>Buildings</b>	
- Construction/extensions	> \$5,000
- Renovations	> \$5,000

<b>Other Infrastructure Assets</b>	
- Other structures	> \$5,000
- Open space/recreational	> \$5,000
- Swimming pools	> \$5,000

<b>Water and Sewer Assets</b>	
- Reticulation extensions	> \$5,000
- Other	> \$5,000

<b>Stormwater Assets</b>	
- Drains and culverts	> \$5,000
- Other	> \$5,000

<b>Transport Assets</b>	
- Road construction and reconstruct	> \$5,000
- Reseal/resheet and major repairs:	> \$5,000
- Bridge construction and reconstruct	> \$5,000
- Footpath construction	> \$5,000

## Tweed Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2016

## Note 1. Summary of significant accounting policies (continued)

**Depreciation**

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method. The exception being water/sewerage above ground assets and building assets, in which case Council uses consumption based depreciation and transport assets, in which case Council uses condition based depreciation in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's Infrastructure, Property, Plant and Equipment include:

**Plant and Equipment**

- Office equipment	3 - 10 years
- Office furniture	4 - 20 years
- Vehicles	2.5 years
- Road making equipment	5 - 10 years
- Other plant and equipment	5 - 10 years

**Buildings (components)**

- Buildings: floor	60 to 130 years
- Buildings: envelope	45 to 125 year
- Buildings: roof	40 to 90 years

**Stormwater Drainage**

- Drains	100 years
- Culverts	75 years

**Transportation Assets**

- Sealed roads surface	20 - 30 years
- Concrete/paved road	80 years
- Road pavement - gravel	10 years
- Road pavement - sealed	60 - 100 years
- Road pavement sub-base	180 - 300 years
- Bridge concrete	80 - 100 years
- Bridges other	30 - 100 years
- Footpaths	30 - 60 years
- Kerb and guttering	80 years
- Traffic facilities	20 - 80 years

**Water and Sewer Assets**

- Dams and reservoirs	100 years
- Pipes - PVC and other	70 years
- Pumps and telemetry	20 years

**Other Infrastructure Assets**

- Bulk earthworks	Infinite
- Flood control structures	80 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

**Disposal and De-recognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

**(k) Land**

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act 1993 (as amended) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

**(l) Land under roads**

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected to recognise land under roads in accordance with AASB 1051. Council used the "Englobo" valuation method for land under roads. This requires the calculation of an average site value (SV) of the Council area on a dollar per square metre basis. The site value is "the value of the underlying land assuming that any existing improvements have not been made. It also assumes that the land is not encumbered by any lease, mortgage or other charge." - Australian Property Institute, 2004. Adjustment factors for 65% and 25% respectively have been applied for Englobo value and access and



## Tweed Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2016

## Note 1. Summary of significant accounting policies (continued)

carriageway rights and infrastructure (other users for carriageway reserve and infrastructure).

**(m) Intangible Assets****IT Development and Software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service. No direct payroll and payroll related costs of employees' time are capitalised to these projects.

Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

**(n) Crown Reserves**

Crown Reserves under Council's care and control are recognised as assets of the Council within the Note 9 Community Land category.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

**(o) Rural Fire Service assets**

Under section 119 of the Rural Fires Act 1997, "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed".

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

**(p) Investment property**

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both that are not occupied by Council.

Investment Property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

Full revaluations are carried out every year.

**(q) Provisions for close down, restoration and for environmental clean-up costs – including Tips and Quarries**

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the remaining lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Statement of Financial Position date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the Statement of Financial Position date. These costs are charged to the Income Statement.

#### **(r) Non-Current Assets (or Disposal Groups) "Held for Sale" and Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount or (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the Statement of Financial Position.

A discontinued operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### **(s) Impairment of Infrastructure, Property, Plant and Equipment Assets**

All Council's Infrastructure, Property, Plant and Equipment are subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For non-cash generating assets of Council such as infrastructure assets that would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

#### (v) Borrowing costs

Borrowing costs are expensed over the life of the loan.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

Claims made on Council which are indemnified by Council's Insurers are not provided for. Any costs payable by Council on resolution of the claim are written off through the Income Statement at that time.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (x) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

###### (ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on Commonwealth Government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

###### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains less unrecognised actuarial losses less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119 Employee Benefits.



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all councils.

The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA of Mercer Actuaries on 24 February 2016 for the period ending 30 June, 2015

However the position is monitored annually and the Actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2016 was \$1,754,181.89.

The amount of additional contributions included in the total employer contribution advised above is \$658,970.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$1,223,356.35 at 30 June 2016.

For this reason, no liability for the deficiency has been recognised in these financial statements. Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June, 2016.

#### (y) Self insurance

Council does not self insure.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations in the same manner as all other costs.

However, where Council does not pay taxes which are generally paid by private sector business, such as Income Tax, these equivalent tax payments are applied to all Council nominated business activities



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

and reflected in the Special Purpose Financial Reports.

The Council is also exempt from Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Statement of Financial Position.

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. They are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### (ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

AASB 9 – Financial Instruments

AASB 15 – Revenue from Contracts with customers and associated amending standards.

AASB16 – Leases

AASB 124 - Related parties

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

#### Applicable to Local Government:

**AASB 9 - Financial Instruments** (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

**AASB 15 - Revenue from contracts with customers and associated amending standards**

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as



## Tweed Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

##### **AASB16 – Leases**

AASB 16 will introduce a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities.

The full impact of AASB16 has not yet been ascertained or quantified.

AASB 116 is applicable to annual reporting periods beginning on or after 1 January 2019

##### **AASB 124 - Related Party Disclosures**

The Australian Accounting Standards Board (AASB) has released AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities.

Local government authorities are now required to identify and disclose related party transactions

between it and its related parties that are individually or collectively material.

The major issues for public sector entities such as a council applying AASB 124 for the first time will be:

- determining the people and entities which meet the definition of a related party;
- determining who are Key Management Personnel (KMPs); and
- use of professional judgement in determining when a transaction is material or not especially when assessments are made about the nature of the transaction

The amending standard is effective from 1 July 2016.

##### **Not applicable to Local Government per se;**

There are no other standards that are “not yet effective” and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

##### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

##### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.



Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).														
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations			Total assets held (current & non-current)		
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Governance	-	2	1	3,000	2,959	2,815	(3,000)	(2,957)	(2,814)	-	-	-	-	-	-
Administration	1,382	2,534	11,589	21,145	16,358	17,504	(19,763)	(13,824)	(5,915)	47	21	240,915	203,310	203,310	
Public order and safety	1,071	969	1,040	3,505	3,596	3,569	(2,434)	(2,627)	(2,529)	213	276	7,087	6,581	6,581	
Health	367	427	385	1,945	1,972	1,596	(1,578)	(1,545)	(1,211)	-	-	159	114	114	
Environment	19,959	23,455	26,160	25,595	24,315	24,819	(5,636)	(860)	1,341	1,735	3,387	212,192	213,658	213,658	
Community services and education	1,705	1,471	1,683	2,914	2,413	2,589	(1,209)	(942)	(906)	1,401	1,410	4,949	4,714	4,714	
Housing and community amenities	1,774	2,080	2,339	6,930	7,333	6,954	(5,156)	(5,253)	(4,615)	167	169	50,018	49,387	49,387	
Water supplies	31,484	30,988	28,987	22,872	23,166	22,310	8,612	7,822	6,677	382	382	545,220	533,719	533,719	
Sewerage services	31,152	37,814	35,497	25,434	29,532	28,141	5,718	8,282	7,356	368	366	682,443	668,252	668,252	
Recreation and culture	2,525	7,141	10,688	20,355	20,978	20,683	(17,830)	(13,837)	(9,995)	1,032	2,507	359,992	413,297	413,297	
Mining, manufacturing and construction	1,720	2,207	1,896	1,990	1,997	1,883	(270)	210	13	-	-	2,595	2,526	2,526	
Transport and communication	6,648	14,941	17,434	25,979	26,858	31,255	(19,331)	(11,917)	(13,821)	6,897	6,218	919,432	908,377	908,377	
Economic affairs	8,909	9,552	9,640	8,541	9,285	8,052	368	267	1,588	-	-	125,243	117,107	117,107	
<b>Total functions and activities</b>	<b>108,696</b>	<b>133,581</b>	<b>147,339</b>	<b>170,205</b>	<b>170,762</b>	<b>172,170</b>	<b>(61,509)</b>	<b>(37,181)</b>	<b>(24,831)</b>	<b>12,242</b>	<b>14,736</b>	<b>3,150,245</b>	<b>3,121,042</b>	<b>3,121,042</b>	
Share of gains/(losses) in associates and joint ventures (using the equity method)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
General purpose income <sup>1</sup>	66,414	68,506	67,517	-	-	-	66,414	68,506	67,517	10,404	10,334	-	-	-	
<b>Operating result from continuing operations</b>	<b>175,110</b>	<b>202,087</b>	<b>214,856</b>	<b>170,205</b>	<b>170,762</b>	<b>172,170</b>	<b>4,905</b>	<b>31,325</b>	<b>42,686</b>	<b>22,646</b>	<b>25,070</b>	<b>3,150,245</b>	<b>3,121,042</b>	<b>3,121,042</b>	

1. Includes: rates and annual charges (incl. ex-gratia), unutilised general purpose grants and unrestricted interest and investment income.

## Tweed Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Includes fire protection, animal control, beach control, enforcement of local government regulations, emergency services.

##### **HEALTH**

Includes immunisation, food control, health centres.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		46,609	44,657
Farmland		2,958	3,135
Business		4,902	5,181
<b>Total ordinary rates</b>		<b>54,469</b>	<b>52,973</b>
<b>Special rates</b>			
Koala beach		79	77
<b>Total special rates</b>		<b>79</b>	<b>77</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		11,975	11,198
Water supply services		4,901	4,490
Sewerage services		26,447	24,468
Waste management services (non-domestic)		2,579	2,492
<b>Total annual charges</b>		<b>45,902</b>	<b>42,648</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>100,450</b>	<b>95,698</b>

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		2,004	1,910
Water supply services		19,437	15,648
Sewerage services		2,787	2,521
Waste management services (non-domestic)		2,140	2,100
<b>Total user charges</b>		<b>26,368</b>	<b>22,179</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Animal control		123	130
Building		1,834	1,533
Health approvals		660	641
Private works – section 67		93	422
Section 603 certificates		229	205
Town planning		1,084	1,281
<b>Total fees and charges – statutory/regulatory</b>		<b>4,023</b>	<b>4,212</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		61	25
Beach vehicles		20	23
Caravan park		9,565	8,546
Cemeteries		792	631
Leaseback fees – Council vehicles		460	370
Library and art gallery		660	489
Parking fees		8	11
Parks and gardens		94	59
Pools		1,575	1,561
Sewer/drainage		366	350
Sportsgrounds		72	76
Tweed laboratory		441	448
Water connection fees		414	417
Other		715	1,319
<b>Total fees and charges – other</b>		<b>15,243</b>	<b>14,325</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>45,634</b>	<b>40,716</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		493	475
– Interest earned on investments (interest and coupon payment income)		8,284	8,287
– Interest on deferred debtors		24	49
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		(135)	125
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>8,666</b>	<b>8,936</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		286	274
General Council cash and investments		2,636	3,412
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		992	984
– Section 64		73	97
Water fund operations		1,333	977
Sewerage fund operations		2,161	2,202
Domestic waste management operations		474	466
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		711	524
<b>Total interest and investment revenue recognised</b>		<b>8,666</b>	<b>8,936</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		912	814
Fines – parking		462	414
Fines – other		115	141
Legal fees recovery – rates and charges (extra charges)		518	538
Legal fees recovery – other		44	–
Insurance claim recoveries		–	890
Tweed coast holiday parks other income		242	498
Other		617	534
<b>TOTAL OTHER REVENUE</b>		<b>2,910</b>	<b>3,829</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	6,849	6,756	–	–
Financial assistance – local roads component	2,644	2,653	–	–
Pensioners' rates subsidies – general component	911	925	–	–
<b>Total general purpose</b>	<b>10,404</b>	<b>10,334</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	382	379	–	–
– Sewerage	368	366	–	–
– Domestic waste management	281	259	–	–
Water supplies	–	–	–	5
Art gallery	100	61	–	–
Bushfire and emergency services	213	263	–	–
Community service	1,280	994	–	–
Cycleways/walkways	–	–	285	60
Environment (incl. coastal/estuary management)	1,173	885	–	–
Environmental protection	–	–	–	1,890
Library	247	245	200	24
LIRS subsidy	131	135	–	–
Museums	–	55	–	–
Other waste and sustainability improvement	217	217	–	–
Positions funded by other govt. dept	186	471	–	–
Recreation and culture	–	–	415	2,061
Street lighting	152	152	–	–
Transport (other roads and bridges funding)	3,632	2,886	2,844	3,164
Other	18	57	118	107
<b>Total specific purpose</b>	<b>8,380</b>	<b>7,425</b>	<b>3,862</b>	<b>7,311</b>
<b>Total grants</b>	<b>18,784</b>	<b>17,759</b>	<b>3,862</b>	<b>7,311</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	13,806	12,741	3,204	4,927
– State funding	4,978	5,018	658	2,384
	<b>18,784</b>	<b>17,759</b>	<b>3,862</b>	<b>7,311</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	5,889	5,544
S 64 – water supply contributions	–	–	3,409	4,219
S 64 – sewerage service contributions	–	–	2,132	2,205
Water S 64 – in kind	–	–	449	1,612
Sewerage S 64 – in kind	–	–	3,159	2,976
<b>Total developer contributions</b>	17	–	<b>15,038</b>	<b>16,556</b>
<b>Other contributions:</b>				
Art gallery	–	–	346	1,121
Community services	9	19	–	–
Dedications (other than by S94)	–	–	–	23
Dedications (other than by S94) – drainage	–	–	993	2,948
Dedications (other than by S94) – land	–	–	375	1,655
Dedications (other than by S94) – land under roads	–	–	34	101
Dedications (other than by S94) – non-specialised buildings	–	–	–	290
Dedications (other than by S94) – open space	–	–	289	358
Dedications (other than by S94) – roads	–	–	1,526	5,450
Dedications (other than by S94) – specialised buildings	–	–	–	90
Govt subsidy	18	26	–	–
Recreation and culture	–	–	–	190
Roads	–	–	122	84
RMS contributions (regional roads, block grant)	2,150	2,100	581	152
SCU contribution	–	–	–	8,848
Sewerage (excl. section 64 contributions)	184	154	–	–
Other	116	137	–	305
<b>Total other contributions</b>	<b>2,477</b>	<b>2,436</b>	<b>4,266</b>	<b>21,615</b>
<b>Total contributions</b>	<b>2,477</b>	<b>2,436</b>	<b>19,304</b>	<b>38,171</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>21,261</b>	<b>20,195</b>	<b>23,166</b>	<b>45,482</b>

## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	34,395	29,407
Add: grants and contributions recognised in the current period but not yet spent:	7,755	16,087
Less: grants and contributions recognised in a previous reporting period now spent:	(2,104)	(11,099)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>5,651</b>	<b>4,988</b>
<b>Unexpended and held as restricted assets</b>	<b>40,046</b>	<b>34,395</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	4,846	2,923
– Developer contributions	32,747	29,410
– Other contributions	2,453	2,062
	<b>40,046</b>	<b>34,395</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		44,563	41,631
Travel expenses		77	120
Employee leave entitlements (ELE)		8,226	7,311
Superannuation		4,685	4,525
Workers' compensation insurance		521	241
Fringe benefit tax (FBT)		217	250
Payroll tax		1,004	933
Training costs (other than salaries and wages)		194	294
Other		152	164
<b>Total employee costs</b>		<b>59,639</b>	<b>55,469</b>
Less: capitalised costs		(6,477)	(5,306)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>53,162</b>	<b>50,163</b>
Number of 'full-time equivalent' employees (FTE) at year end		664	675
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on overdraft		2	2
Interest on loans		12,914	13,045
<b>Total interest bearing liability costs expensed</b>		<b>12,916</b>	<b>13,047</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	(35)	1
Interest applicable on interest free (and favourable) loans to Council		519	602
<b>Total other borrowing costs</b>		<b>484</b>	<b>603</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>13,400</b>	<b>13,650</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		40,744	42,832
Auditors remuneration <sup>(1)</sup>		113	102
Legal expenses:			
– Legal expenses: planning and development		371	444
– Legal expenses: other		179	114
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		546	838
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>41,953</b>	<b>44,330</b>

## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		97	98
<b>Remuneration for audit and other assurance services</b>		<b>97</b>	<b>98</b>
<b>(ii) Other non-assurance services</b>			
– Other services		16	4
<b>Remuneration for other services</b>		<b>16</b>	<b>4</b>
<b>Total Auditor remuneration</b>		<b>113</b>	<b>102</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		541	833
Other		5	5
		<b>546</b>	<b>838</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	2,835	2,753
Office equipment		–	–	158	119
Furniture and fittings		–	–	122	128
Infrastructure:					
– Buildings		–	–	1,759	1,531
– Other structures		–	–	17	19
– Roads		–	–	11,943	15,645
– Bridges		–	–	2,147	2,155
– Footpaths		–	–	507	560
– Stormwater drainage		–	–	2,413	2,791
– Water supply network		–	–	6,471	7,097
– Sewerage network		–	–	10,595	10,326
– Swimming pools		–	–	245	245
– Other open space/recreational assets		–	–	1,445	835
– Other infrastructure		–	–	385	501
Asset reinstatement costs	9 & 26	–	–	15	15
Intangible assets	25	–	–	78	323
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>41,135</b>	<b>45,043</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Bad and doubtful debts		(30)	69
Caretakers remuneration – holiday parks		1,862	1,651
Contributions/levies to other levels of government			
– Department of Lands levy – holiday parks		425	395
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		717	715
– Waste levy		423	189
Councillor expenses – mayoral fee		40	39
Councillor expenses – councillors' fees		110	137
Councillors' expenses (incl. mayor)		29	33
Donations, contributions and assistance to other organisations (Section 356)		2,646	2,675
Electricity and heating		3,694	4,686
Insurance		1,622	1,477
Street lighting		839	799
Telephone and communications		453	438
<b>TOTAL OTHER EXPENSES</b>		<b>12,830</b>	<b>13,303</b>

## Note 5. Gains or losses from the disposal of assets

<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		925	461
Less: carrying amount of property assets sold/written off		(1,148)	(1,585)
<b>Net gain/(loss) on disposal</b>		<b>(223)</b>	<b>(1,124)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,994	1,335
Less: carrying amount of plant and equipment assets sold/written off		(2,519)	(2,060)
<b>Net gain/(loss) on disposal</b>		<b>(525)</b>	<b>(725)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(7,534)	(3,832)
<b>Net gain/(loss) on disposal</b>		<b>(7,534)</b>	<b>(3,832)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		67,332	79,805
Less: carrying amount of financial assets sold/redeemed/matured		(67,332)	(79,805)
<b>Net gain/(loss) on disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(8,282)</b>	<b>(5,681)</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		941	–	1,654	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		8,589	–	9,863	–
<b>Total cash and cash equivalents</b>		<b>9,530</b>	<b>–</b>	<b>11,517</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		115,035	71,000	117,419	49,000
– FRN's and fixed rate bonds *		8,654	65,520	6,479	50,817
<b>Total investments</b>		<b>123,689</b>	<b>136,520</b>	<b>123,898</b>	<b>99,817</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>133,219</b>	<b>136,520</b>	<b>135,415</b>	<b>99,817</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>9,530</b>	<b>–</b>	<b>11,517</b>	<b>–</b>
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**Investments****a. 'At fair value through the profit and loss'**

– 'Held for trading'	6(b-i)	8,654	65,520	6,479	50,817
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**b. 'Held to maturity'**

	6(b-ii)	115,035	71,000	117,419	49,000
<b>Investments</b>		<b>123,689</b>	<b>136,520</b>	<b>123,898</b>	<b>99,817</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

\* FRN = Floating Rate Note



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at the beginning of the year	6,479	50,817	2,033	46,739
Revaluations (through the Income Statement)	(135)	–	125	–
Additions	2,310	34,651	4,321	20,883
Disposals (sales and redemptions)	–	(19,948)	–	(16,805)
<b>Balance at end of year</b>	<b>8,654</b>	<b>65,520</b>	<b>6,479</b>	<b>50,817</b>
<b>Comprising:</b>				
– FRN's and fixed rate bonds (with maturities > 3 months)	8,654	65,520	6,479	50,817
<b>Total</b>	<b>8,654</b>	<b>65,520</b>	<b>6,479</b>	<b>50,817</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of investments classified as 'held to maturity'</b>				
Balance at the beginning of the year	117,419	49,000	76,531	52,000
Additions	–	67,000	40,888	60,000
Disposals (sales and redemptions)	(2,384)	(45,000)	–	(63,000)
<b>Balance at end of year</b>	<b>115,035</b>	<b>71,000</b>	<b>117,419</b>	<b>49,000</b>
<b>Comprising:</b>				
– Long term deposits	115,035	71,000	117,419	49,000
<b>Total</b>	<b>115,035</b>	<b>71,000</b>	<b>117,419</b>	<b>49,000</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	133,219	136,520	135,415	99,817
attributable to:				
External restrictions (refer below)	65,862	122,029	73,563	89,487
Internal restrictions (refer below)	57,757	14,491	56,667	10,330
Unrestricted	9,600	–	5,185	–
	<b>133,219</b>	<b>136,520</b>	<b>135,415</b>	<b>99,817</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended loans – sewer (A)	6,258	–	(50)	6,208
Other – security deposits	1,746	207	–	1,953
<b>External restrictions – included in liabilities</b>	<b>8,004</b>	<b>207</b>	<b>(50)</b>	<b>8,161</b>

**External restrictions – other**

Developer contributions – general (D)	26,759	12,495	(8,208)	31,046
Developer contributions – water fund (D)	2,651	–	(950)	1,701
Roads & Maritime Services contributions (E)	130	–	(130)	–
Specific purpose contributions (E)	1,932	563	(42)	2,453
Specific purpose unexpended grants (F)	2,923	1,923	–	4,846
Water supplies (G)	2,454	–	–	2,454
Water supplies – asset replacement (G)	30,490	16,222	(7,251)	39,461
Sewerage services (G)	1,848	2,993	–	4,841
Sewerage services – banora point laboratory (G)	514	99	–	613
Sewerage services – asset replacement (G)	52,879	11,850	(6,575)	58,154
Domestic waste management (G)	13,981	931	–	14,912
Caravan park cash assets	18,283	752	–	19,035
Special rate – koala beach	202	79	(67)	214
<b>External restrictions – other</b>	<b>155,046</b>	<b>47,907</b>	<b>(23,223)</b>	<b>179,730</b>
<b>Total external restrictions</b>	<b>163,050</b>	<b>48,114</b>	<b>(23,273)</b>	<b>187,891</b>

A Loan moneys which must be applied for the purposes for which the loans were raised.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Employees leave entitlement	11,330	1,373	–	12,703
Carry over works	13,185	4,886	(6,674)	11,397
Access funding	283	8	(93)	198
Agenda 21	58	–	–	58
Art gallery construction	113	4	–	117
Asset management reserve - infrastructure	127	4,204	–	4,331
Beach vehicle licence income	232	28	–	260
Car parking	519	18	–	537
Catchment water quality	820	231	(488)	563
Cemeteries perpetual maintenance	341	89	–	430
Civic centre asset management	240	142	(81)	301
Community facilities	5,904	194	(350)	5,748
Coastal management planning	32	2	–	34
Environmental enforcement levy	(404)	624	(220)	–
Frangela park maintenance	41	1	(1)	41
Haulage fees	323	–	–	323
Land development	487	110	(82)	515
Land sales – cemetery asset management	49	2	–	51
Murwillumbah community centre	5	1	–	6
Museum donations	26	6	–	32
Museum asset management	62	3	–	65
Non-DWM management	9,159	308	(122)	9,345
Opportunity/matching grants	35	–	–	35
Plant operations	4,155	1,873	–	6,028
Revolving energy fund	270	10	–	280
Road land sale	43	32	(40)	35
SES vehicle replacement	141	–	–	141
7 year plan	4,495	6,310	(5,977)	4,828
Sewerage management facilities	8	–	–	8
Software and equipment – asset management	2,287	696	–	2,983
Sports fields – asset management	1	–	–	1
Swimming pools asset management	34	19	–	53
Unexpended grants	3,169	9,493	(9,318)	3,344
Unexpended loans	9,415	1,976	(3,946)	7,445
Waterways asset management	7	–	–	7
Workers comp. cont. reserve	5	–	–	5
<b>Total internal restrictions</b>	<b>66,997</b>	<b>32,643</b>	<b>(27,392)</b>	<b>72,248</b>
<b>TOTAL RESTRICTIONS</b>	<b>230,047</b>	<b>80,757</b>	<b>(50,665)</b>	<b>260,139</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		4,351	–	4,631	–
Interest and extra charges		532	–	537	–
User charges and fees		5,067	–	4,771	–
Accrued revenues					
– Interest on investments		2,491	–	2,615	–
Deferred debtors		3	100	8	77
Government grants and subsidies		603	–	4,532	–
Net GST receivable		728	–	609	–
<b>Total</b>		<b>13,775</b>	<b>100</b>	<b>17,703</b>	<b>77</b>
<b>Less: provision for impairment</b>					
Doubtful debts		(171)	–	(202)	–
<b>Total provision for impairment – receivables</b>		<b>(171)</b>	<b>–</b>	<b>(202)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>13,604</b>	<b>100</b>	<b>17,501</b>	<b>77</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		2	–	2	–
– Rates and availability charges		239	–	250	–
– Other		3,077	–	2,811	–
<b>Sewerage services</b>					
– Specific purpose grants		2	–	1	–
– Rates and availability charges		1,153	–	1,204	–
– Other		1,077	–	1,232	–
Domestic waste management		473	–	507	–
Tweed Coast Holiday Parks		213	–	200	–
<b>Total external restrictions</b>		<b>6,236</b>	<b>–</b>	<b>6,207</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>7,368</b>	<b>100</b>	<b>11,294</b>	<b>77</b>
<b>TOTAL NET RECEIVABLES</b>		<b>13,604</b>	<b>100</b>	<b>17,501</b>	<b>77</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.



## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		931	–	919	–
<b>Total inventories at cost</b>		<b>931</b>	<b>–</b>	<b>919</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>931</b>	<b>–</b>	<b>919</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		711	–	645	–
<b>TOTAL OTHER ASSETS</b>		<b>711</b>	<b>–</b>	<b>645</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Prepayments		19	–	27	–
<b>Total water</b>		<b>19</b>	<b>–</b>	<b>27</b>	<b>–</b>
<b>Sewerage</b>					
Prepayments		17	–	26	–
<b>Total sewerage</b>		<b>17</b>	<b>–</b>	<b>26</b>	<b>–</b>
<b>Tweed Coast Holiday Parks</b>					
Prepayments		142	–	154	–
<b>Total other</b>		<b>142</b>	<b>–</b>	<b>154</b>	<b>–</b>
<b>Total externally restricted assets</b>		<b>178</b>	<b>–</b>	<b>207</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>1,464</b>	<b>–</b>	<b>1,357</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>1,642</b>	<b>–</b>	<b>1,564</b>	<b>–</b>

**Other disclosures****Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016					
	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Revaluation decrements to equity (ARR)	At cost	At fair value	Accumulated depreciation	Impairment	Carrying value
Capital work in progress	11,324	-	-	-	11,324	5,750	3,751	(693)	-	(8,854)	(172)	-	-	11,106	-	-	-	11,106
Plant and equipment	-	36,661	15,482	-	21,179	4	5,736	(2,508)	(2,835)	203	-	-	-	-	35,476	13,697	-	21,779
Office equipment	-	1,616	1,188	-	428	58	139	(158)	(158)	-	-	-	-	-	1,732	1,265	-	467
Furniture and fittings	-	2,489	1,816	-	673	-	159	-	(122)	-	-	-	-	-	2,648	1,938	-	710
Land:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Operational land	-	455,867	-	-	455,867	-	875	(58)	-	80	(8)	28,381	-	-	485,137	-	-	485,137
- Community land	-	161,094	-	-	161,094	-	196	(1)	-	-	8	(54,468)	-	-	106,830	-	-	106,830
- Land under roads (pre 1/7/08)	-	41,867	-	-	41,867	-	-	(1)	-	-	-	2,356	-	-	44,222	-	-	44,222
- Land under roads (post 30/6/08)	-	2,238	-	-	2,238	-	50	-	-	-	-	(1,600)	-	-	688	-	-	688
Infrastructure:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Buildings	-	149,699	16,844	-	132,855	2,345	-	(196)	(1,759)	543	3,945	4,071	-	-	161,089	19,285	-	141,804
- Other structures	-	654	305	-	349	-	-	-	(17)	-	-	38	-	-	695	325	-	370
- Roads	-	667,467	158,367	-	509,100	7,445	3,372	(1,417)	(11,943)	942	360	3,555	-	-	679,871	168,257	-	511,414
- Bridges	-	182,988	25,614	-	157,374	1,571	66	(320)	(2,147)	1,634	172	1,108	-	-	186,666	27,208	-	159,458
- Footpaths	-	37,109	6,403	-	30,706	46	455	(338)	(507)	345	24	215	-	-	37,911	6,965	-	30,946
- Bulk earthworks (non-depreciable)	-	142,926	-	-	142,926	275	137	(8)	-	-	4	1,003	-	-	144,337	-	-	144,337
- Stormwater drainage	-	221,616	71,440	-	150,176	2,631	1,000	(182)	(2,413)	36	-	1,059	-	-	226,462	74,155	-	152,307
- Water supply network	-	620,979	165,391	-	455,588	2,124	1,039	(1,955)	(6,471)	1,952	-	6,779	-	-	632,287	173,231	-	459,056
- Sewerage network	-	762,147	212,315	-	549,832	2,783	3,839	(3,313)	(10,595)	2,953	-	8,182	-	-	778,911	225,230	-	553,681
- Swimming pools	-	5,384	1,833	-	3,551	-	-	-	(245)	-	-	-	-	-	5,263	1,957	-	3,306
- Other open space/recreational assets	-	32,163	7,480	-	24,683	634	1,674	(11)	(1,445)	166	24	-	-	-	34,565	8,840	-	25,725
- Other infrastructure	-	13,136	4,507	-	8,629	-	-	(201)	(365)	-	(3,583)	1,568	-	-	11,681	5,653	-	6,028
Other assets:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Artworks	-	4,947	-	-	4,947	-	380	-	-	-	-	-	-	-	5,327	-	-	5,327
Reinstatement, rehabilitation and restoration assets (refer Note 26):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Tip assets	-	687	632	-	55	-	-	-	(11)	-	-	-	-	-	687	643	-	44
- Quarry assets	-	176	169	-	7	-	-	-	(4)	-	-	-	-	-	177	174	-	3
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>11,324</b>	<b>3,543,910</b>	<b>689,786</b>	<b>-</b>	<b>2,865,448</b>	<b>25,666</b>	<b>22,868</b>	<b>(11,201)</b>	<b>(41,057)</b>	<b>-</b>	<b>774</b>	<b>(56,068)</b>	<b>58,315</b>	<b>11,106</b>	<b>3,562,462</b>	<b>728,823</b>	<b>-</b>	<b>2,864,745</b>

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	–	664	–	664	–	2,264	–	2,264
Plant and equipment	–	175	83	92	–	132	85	47
Office equipment	–	9	–	9	–	–	–	–
Furniture and fittings	–	20	20	–	–	20	20	–
Land								
– Operational land	–	36,413	–	36,413	–	35,120	–	35,120
– Community land	–	82	–	82	–	86	–	86
Buildings	–	2,645	696	1,949	–	2,573	644	1,929
Infrastructure	–	631,935	173,230	458,705	–	620,627	165,391	455,236
Other assets	–	353	–	353	–	352	–	352
<b>Total water supply</b>	–	<b>672,296</b>	<b>174,029</b>	<b>498,267</b>	–	<b>661,174</b>	<b>166,140</b>	<b>495,034</b>
<b>Sewerage services</b>								
WIP	–	2,571	–	2,571	–	3,845	–	3,845
Plant and equipment	–	1,300	933	367	–	1,172	861	311
Office equipment	–	47	28	19	–	26	26	–
Furniture and fittings	–	92	87	5	–	87	87	–
Land								
– Operational land	–	47,452	–	47,452	–	44,126	–	44,126
– Community land	–	220	–	220	–	238	–	238
Buildings	–	6,560	497	6,063	–	6,382	445	5,937
Infrastructure	–	778,911	225,230	553,681	–	762,148	212,315	549,833
<b>Total sewerage services</b>	–	<b>837,153</b>	<b>226,775</b>	<b>610,378</b>	–	<b>818,024</b>	<b>213,734</b>	<b>604,290</b>
<b>Domestic waste management</b>								
Plant and equipment	–	51	39	12	–	23	15	8
Office equipment	–	28	28	–	–	16	16	–
Furniture and fittings	–	198	142	56	–	198	122	76
Land								
– Operational land	–	3,059	–	3,059	–	2,699	–	2,699
Buildings	–	987	300	687	–	956	286	670
Infrastructure	–	66	66	–	–	70	67	3
<b>Total DWM</b>	–	<b>4,389</b>	<b>575</b>	<b>3,814</b>	–	<b>3,962</b>	<b>506</b>	<b>3,456</b>
<b>Other restricted assets</b>								
– Capital WIP	–	2,025	–	2,025	–	581	–	581
– Plant & Equipment	–	2,890	570	2,320	–	4,574	2,346	2,228
– Office Equipment	–	62	48	14	–	137	124	13
– Operational Land	–	85,984	–	85,984	–	79,615	–	79,615
Buildings	–	13,760	2,227	11,533	–	13,204	1,657	11,547
Swimming Pools	–	269	191	78	–	391	302	89
<b>Total other restrictions</b>	–	<b>104,990</b>	<b>3,036</b>	<b>101,954</b>	–	<b>98,502</b>	<b>4,429</b>	<b>94,073</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	–	<b>1,618,828</b>	<b>404,415</b>	<b>1,214,413</b>	–	<b>1,581,662</b>	<b>384,809</b>	<b>1,196,853</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016Note 9c. Infrastructure, property, plant and equipment – current year  
impairments

\$ '000

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		8,494	–	9,243	–
Payments received In advance		4,468	–	3,840	–
Accrued expenses:					
– Borrowings		445	–	464	–
– Other expenditure accruals		32	–	47	–
Security bonds, deposits and retentions		1,465	543	1,333	416
<b>Total payables</b>		<b>14,904</b>	<b>543</b>	<b>14,927</b>	<b>416</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		7,681	170,689	7,221	177,072
<b>Total borrowings</b>		<b>7,681</b>	<b>170,689</b>	<b>7,221</b>	<b>177,072</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		4,783	–	5,005	–
Sick leave		2,024	3,761	1,023	4,545
Long service leave		13,688	346	12,222	322
Sub-total – aggregate employee benefits		20,495	4,107	18,250	4,867
Asset remediation/restoration (future works) <sup>26</sup>		–	863	–	898
<b>Total provisions</b>		<b>20,495</b>	<b>4,970</b>	<b>18,250</b>	<b>5,765</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>43,080</b>	<b>176,202</b>	<b>40,398</b>	<b>183,253</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		1,753	62,196	1,756	63,545
Sewer		3,206	29,545	2,667	31,800
Other		1,953	–	1,746	–
Other – holiday parks		2,703	416	2,183	1,032
Liabilities relating to externally restricted assets		9,615	92,157	8,352	96,377
<b>Total liabilities relating to restricted assets</b>		<b>9,615</b>	<b>92,157</b>	<b>8,352</b>	<b>96,377</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>33,465</b>	<b>84,045</b>	<b>32,046</b>	<b>86,876</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>43,080</b>	<b>176,202</b>	<b>40,398</b>	<b>183,253</b>

<sup>1</sup> The repayment of money borrowed by a council and the payment of any interest on that money, is a charge on the income of the council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2016	Actual 2015
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	12,855	10,989
Payables – security bonds, deposits and retentions	300	300
	<b>13,155</b>	<b>11,289</b>

## Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	5,005	3,602	(3,824)	–	–	4,783
Sick leave	5,568	616	(399)	–	–	5,785
Long service leave	12,544	2,473	(983)	–	–	14,034
Asset remediation	898	(35)	–	–	–	863
<b>TOTAL</b>	<b>24,015</b>	<b>6,656</b>	<b>(5,206)</b>	<b>–</b>	<b>–</b>	<b>25,465</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	9,530	11,517
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>9,530</b>	<b>11,517</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>31,325</b>	<b>42,686</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		41,135	45,043
Net losses/(gains) on disposal of assets		8,282	5,681
Non-cash capital grants and contributions		(7,171)	(25,472)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		135	(125)
Transfers from Work in Progress through Income Statement		170	–
– Interest exp. on interest-free loans received by Council (previously fair valued)		519	602
Unwinding of discount rates on reinstatement provisions		(35)	1
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		3,923	8,150
Increase/(decrease) in provision for doubtful debts		(31)	70
Decrease/(increase) in inventories		(12)	(20)
Decrease/(increase) in other assets		(66)	19
Increase/(decrease) in payables		(749)	1,021
Increase/(decrease) in accrued interest payable		(19)	(24)
Increase/(decrease) in other accrued expenses payable		(15)	(72)
Increase/(decrease) in other liabilities		887	(57)
Increase/(decrease) in employee leave entitlements		1,485	1,772
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>79,763</b>	<b>79,275</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Art gallery		346	1,121
Development contributions – general		3,217	10,915
Development contributions – water		449	1,612
Development contributions – sewerage		3,159	2,976
Other non-cash items		–	8,848
<b>Total non-cash investing and financing activities</b>		<b>7,171</b>	<b>25,472</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		1,000	1,000
Credit cards/purchase cards		300	300
<b>Total financing arrangements</b>		<b>1,300</b>	<b>1,300</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		20	28
<b>Total financing arrangements utilised</b>		<b>20</b>	<b>28</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

The repayment of money borrowed by a council and the payment of any interest on that money, is a charge on the income of the council.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		278	775
Plant and equipment		10	–
Other		137	1,649
<b>Total commitments</b>		<b>425</b>	<b>2,424</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		425	2,424
<b>Total payable</b>		<b>425</b>	<b>2,424</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		35	887
Future grants and contributions		2	–
Sect 64 and 94 funds/reserves		–	624
Unexpended grants		40	220
Externally restricted reserves		–	114
Internally restricted reserves		281	12
Unexpended loans		–	357
Unrestricted water funds		–	111
Unrestricted sewerage funds		67	99
<b>Total sources of funding</b>		<b>425</b>	<b>2,424</b>

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	350	437
Later than one year and not later than 5 years	302	588
<b>Total non-cancellable operating lease commitments</b>	<b>652</b>	<b>1,025</b>

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>16,576</u>	<b>9.26%</b>	1.63%	-10.92%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>179,056</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>157,795</u>	<b>78.03%</b>	69.41%	69.82%
Total continuing operating revenue <sup>(1)</sup>	<u>202,222</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>76,189</u>	<b>3.75x</b>	3.59x	3.26x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>20,310</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>71,111</u>	<b>3.26x</b>	2.94x	1.93x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>21,818</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>4,883</u>	<b>4.58%</b>	5.05%	5.76%
Rates, annual and extra charges collectible	<u>106,629</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>195,565</u>	<b>17.59 mths</b>	16.12 mths	12.49 mths
Payments from cash flow of operating and financing activities	<u>11,115</u>			

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

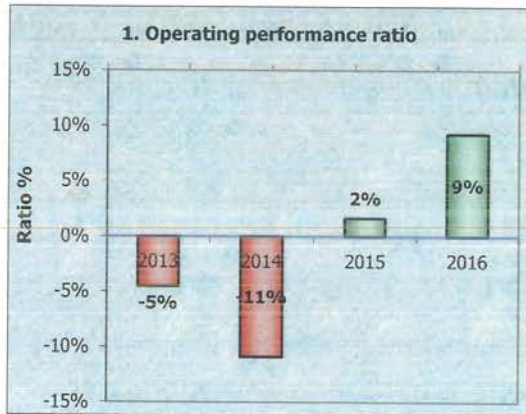
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2015/16 result**

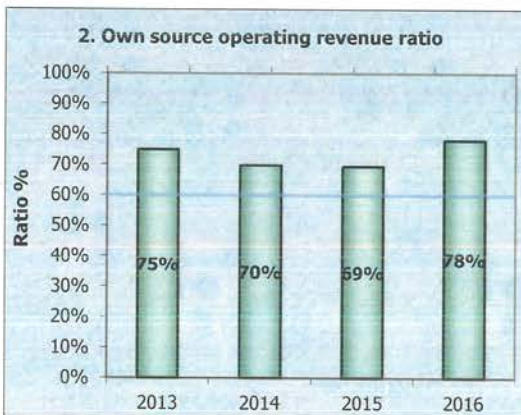
**2015/16 ratio 9.26%**

Improvement due largely to a reduction in depreciation expense arising from the comprehensive revaluation of transport assets in the prior year

Benchmark: — Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2015/16 result**

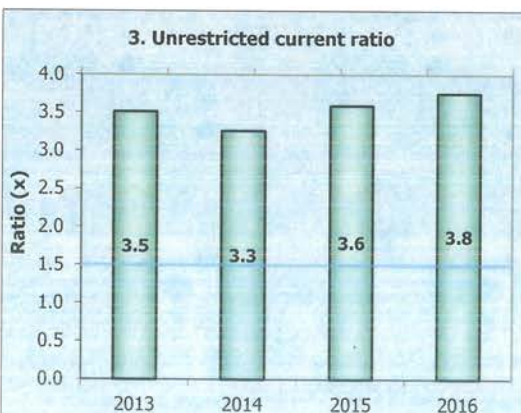
**2015/16 ratio 78.03%**

Remains at an acceptable ratio

Benchmark: — Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2015/16 result**

**2015/16 ratio 3.75x**

Remains at an acceptable ratio

Benchmark: — Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

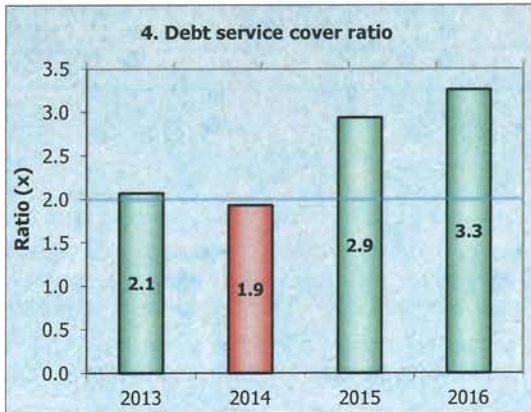
Ratio achieves benchmark  
 Ratio is outside benchmark



Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Benchmark: — Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

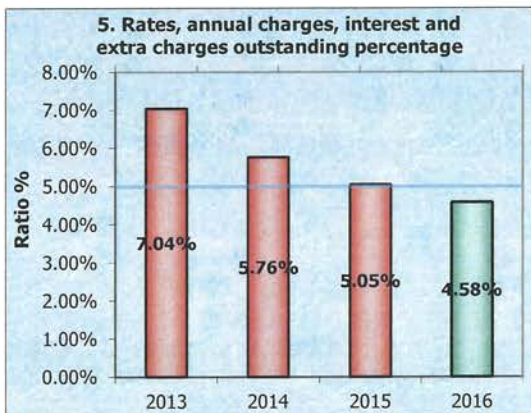
**Commentary on 2015/16 result**

**2015/16 ratio 3.26x**

Improvement partly due to early retirement of Holiday Park debt



Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

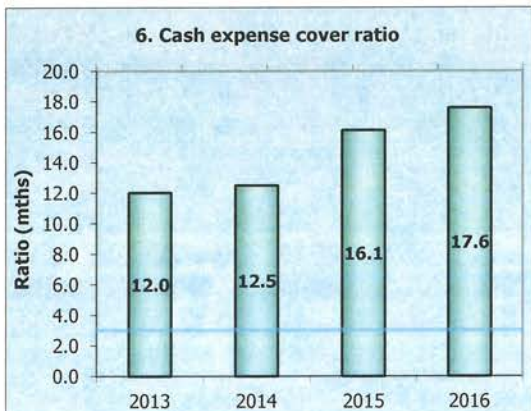
**Commentary on 2015/16 result**

**2015/16 ratio 4.58%**

Riogrous debt recovery actions continue to improve this indicator



Ratio is within Benchmark  
Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2015/16 result**

**2015/16 ratio 17.59 mths**

Remains at an acceptable ratio



Ratio achieves benchmark  
Ratio is outside benchmark

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>7.85%</b>	<b>4.41%</b>	<b>10.94%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: -11.44%	-2.44%	5.43%
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>85.14%</b>	<b>85.09%</b>	<b>74.27%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 78.40%	84.44%	64.04%
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>16.12x</b>	<b>10.87x</b>	<b>3.75x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 13.69x	10.39x	3.59x
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>1.90x</b>	<b>2.35x</b>	<b>4.58x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 1.45x	1.97x	4.38x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>4.76%</b>	<b>4.57%</b>	<b>4.57%</b>
Rates, annual and extra charges collectible	prior period: 4.80%	4.64%	5.22%
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<b>28.79</b>	<b>37.60</b>	<b>10.19</b>
Payments from cash flow of operating and financing activities	prior period: 21.28 mths	32.15 mths	10.84 mths

## Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 14. Investment properties

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 \$ '000
 

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Council has not classified any land or buildings as 'investment properties'.

## Note 15. Financial risk management

## Financial risk management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) interest rate risk.

The Council's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	9,530	11,517	9,530	15,462
Investments				
– 'Held for trading'	74,174	57,296	74,174	57,296
– 'Held to maturity'	186,035	166,419	186,035	162,531
Receivables	13,704	17,578	13,704	17,635
<b>Total financial assets</b>	<b>283,443</b>	<b>252,810</b>	<b>283,443</b>	<b>252,924</b>
<b>Financial liabilities</b>				
Payables	10,979	11,503	10,979	11,332
Loans/advances	178,370	184,293	225,135	218,080
<b>Total financial liabilities</b>	<b>189,349</b>	<b>195,796</b>	<b>236,114</b>	<b>229,412</b>

Fair value is determined as follows:

- **Cash** and **cash equivalents**, **receivables**, **payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

## (a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	7,417	7,417	(7,417)	(7,417)
Possible impact of a 1% movement in interest rates	2,697	2,697	(2,697)	(2,697)
<b>2015</b>				
Possible impact of a 10% movement in market values	5,730	5,730	(5,730)	(5,730)
Possible impact of a 1% movement in interest rates	2,352	2,352	(2,352)	(2,352)



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	81%	0%	95%
Overdue	100%	19%	100%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	–	7,695	1	12,437
< 1 year overdue	2,899	–	3,067	–
1 – 2 years overdue	737	460	794	447
2 – 5 years overdue	602	147	606	81
> 5 years overdue	113	1,222	164	184
	<b>4,351</b>	<b>9,524</b>	<b>4,631</b>	<b>13,149</b>
<b>(iii) Movement in provision for impairment of receivables</b>			2016	2015
Balance at the beginning of the year			202	132
+ new provisions recognised during the year			1	81
– amounts already provided for and written off this year			(32)	(6)
– amounts provided for but recovered during the year			–	(5)
<b>Balance at the end of the year</b>			<b>171</b>	<b>202</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	2,008	8,971	–	–	–	–	–	10,979	10,979
Loans and advances	–	20,652	20,511	20,335	20,165	20,162	231,153	332,978	178,370
<b>Total financial liabilities</b>	<b>2,008</b>	<b>29,623</b>	<b>20,511</b>	<b>20,335</b>	<b>20,165</b>	<b>20,162</b>	<b>231,153</b>	<b>343,957</b>	<b>189,349</b>
<b>2015</b>									
Trade/other payables	1,749	9,754	–	–	–	–	–	11,503	11,503
Loans and advances	–	20,810	20,610	20,466	20,285	20,112	229,315	331,598	184,293
<b>Total financial liabilities</b>	<b>1,749</b>	<b>30,564</b>	<b>20,610</b>	<b>20,466</b>	<b>20,285</b>	<b>20,112</b>	<b>229,315</b>	<b>343,101</b>	<b>195,796</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	10,979	0.00%	11,503	0.00%
Loans and advances – fixed interest rate	150,472	6.82%	155,449	6.80%
Loans and advances – variable interest rate	27,898	8.31%	28,844	8.30%
	<b>189,349</b>		<b>195,796</b>	



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

**Note that for variations\* of budget to actual :**

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, U = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	98,086	100,450	2,364	2%	F
<b>User charges and fees</b>	41,375	45,634	4,259	10%	F
A number of user charges performed better than budget, notably sewerage charges and holiday park income.					
<b>Interest and investment revenue</b>	7,751	8,666	915	12%	F
The budgeted reduction in investment revenue due to lower interest rates was partially offset by more funds invested					
<b>Other revenues</b>	1,875	2,910	1,035	55%	F
Substantial legal fees income for the recovery of rates and charges income were received. In addition, Council received a refund of Carbon Tax payments made. Neither of these items were included in the original budget.					
<b>Operating grants and contributions</b>	16,273	21,261	4,988	31%	F
Grant funds were received for a number of unbudgeted items, including flood restoration, recycling, and biodiversity. In addition, some Federal government grants such as Roads to Recovery and Financial Assistance were higher than budgeted.					
<b>Capital grants and contributions</b>	9,750	23,166	13,416	138%	F
Non-cash contributions, representing dedicated assets, are not included in the budget					

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>EXPENSES</b>					
Employee benefits and on-costs	51,595	53,162	(1,567)	(3%)	<b>U</b>
Borrowing costs	12,977	13,400	(423)	(3%)	<b>U</b>
Materials and contracts	48,282	41,953	6,329	13%	<b>F</b>
A number of maintenance projects were unfinished or not commenced and were rolled over to 2016/17					
Depreciation and amortisation	42,058	41,135	923	2%	<b>F</b>
Other expenses	15,293	12,830	2,463	16%	<b>F</b>
Substantial savings were achieved for electricity, insurance and telephone expenses					
Net losses from disposal of assets	-	8,282	(8,282)		<b>U</b>
Gains and losses from asset disposals are not included in the budget					

## Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	45,987	79,763	33,776	73.4%	<b>F</b>
All operating receipts exceeded budget expectations, notably grants and contributions					
Cash flows from investing activities	(34,972)	(75,308)	(40,336)	115.3%	<b>U</b>
Purchase of investment securities exceeded budget expectations. In addition, capital works exceeded expectations representing catch-up of works					
Cash flows from financing activities	(5,755)	(6,442)	(687)	11.9%	<b>U</b>
Tweed Coast Holiday Parks retired some debt in advance of scheduled payments					



## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	593	20	-	21	(1)	-	633	-
Roads	10,790	3,137	-	421	(784)	-	13,564	-
Traffic facilities	85	16	-	3	(1)	-	103	-
Parking	1,429	-	-	48	(47)	-	1,430	-
Open space	6,985	1,559	-	251	(813)	-	7,982	-
Community facilities	4,071	526	-	145	(153)	-	4,589	-
Path/cycleways	335	111	-	13	(13)	-	446	-
Street trees	188	4	-	7	-	-	199	-
Other	1,500	516	-	56	(782)	-	1,290	-
<b>S94 contributions – under a plan</b>	<b>25,976</b>	<b>5,889</b>	-	<b>965</b>	<b>(2,594)</b>	-	<b>30,236</b>	-
<b>Total S94 revenue under plans</b>	<b>25,976</b>	<b>5,889</b>	-	<b>965</b>	<b>(2,594)</b>	-	<b>30,236</b>	-
S94 not under plans	783	-	-	27	-	-	810	-
S64 contributions	2,651	5,541	3,608	73	(6,564)	-	1,701	-
<b>Total contributions</b>	<b>29,410</b>	<b>11,430</b>	<b>3,608</b>	<b>1,065</b>	<b>(9,158)</b>	-	<b>32,747</b>	-

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	4,297	5	-	148	(1)	-	4,449	-
<b>Total</b>	<b>4,297</b>	<b>5</b>	<b>-</b>	<b>148</b>	<b>(1)</b>	<b>-</b>	<b>4,449</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 2

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	608	4	-	21	-	-	633	-
<b>Total</b>	<b>608</b>	<b>4</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>633</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 3

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	2	-	-	-	-	-	2	-
<b>Total</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 4

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	10,698	3,137	-	418	(784)	-	13,469	-
<b>Total</b>	<b>10,698</b>	<b>3,137</b>	<b>-</b>	<b>418</b>	<b>(784)</b>	<b>-</b>	<b>13,469</b>	<b>-</b>



Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 5

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	335	165	-	12	(67)	-	445	-
<b>Total</b>	<b>335</b>	<b>165</b>	<b>-</b>	<b>12</b>	<b>(67)</b>	<b>-</b>	<b>445</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 6

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Street trees	188	4	-	7	-	-	199	-
<b>Total</b>	<b>188</b>	<b>4</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>199</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 7

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	(15)	16	-	-	(1)	-	-	-
Open space	474	51	-	17	(2)	-	540	-
<b>Total</b>	<b>459</b>	<b>67</b>	<b>-</b>	<b>17</b>	<b>(3)</b>	<b>-</b>	<b>540</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 11

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities (libraries)	2,009	210	-	70	(138)	-	2,151	-
<b>Total</b>	<b>2,009</b>	<b>210</b>	<b>-</b>	<b>70</b>	<b>(138)</b>	<b>-</b>	<b>2,151</b>	<b>-</b>

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 12

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities – bus shelters (other)	85	16	-	3	(1)	-	103	-
<b>Total</b>	<b>85</b>	<b>16</b>	<b>-</b>	<b>3</b>	<b>(1)</b>	<b>-</b>	<b>103</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 13

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (cemeteteries)	57	30	-	2	(1)	-	88	-
<b>Total</b>	<b>57</b>	<b>30</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>-</b>	<b>88</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 14

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads (mebbin springs)	92	-	-	3	-	-	95	-
<b>Total</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 15

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,003	311	-	38	(15)	-	1,337	-
<b>Total</b>	<b>1,003</b>	<b>311</b>	<b>-</b>	<b>38</b>	<b>(15)</b>	<b>-</b>	<b>1,337</b>	<b>-</b>



Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 16

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (surf lifesaving)	398	8	-	13	(324)	-	95	-
<b>Total</b>	<b>398</b>	<b>8</b>	<b>-</b>	<b>13</b>	<b>(324)</b>	<b>-</b>	<b>95</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 18

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other (council admin fees)	1,045	478	-	41	(457)	-	1,107	-
<b>Total</b>	<b>1,045</b>	<b>478</b>	<b>-</b>	<b>41</b>	<b>(457)</b>	<b>-</b>	<b>1,107</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 19

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	(422)	2	-	(15)	(19)	-	(454)	-
Community facilities	1,057	5	-	37	-	-	1,099	-
Path/cycleways	105	-	-	4	-	-	109	-
<b>Total</b>	<b>740</b>	<b>7</b>	<b>-</b>	<b>26</b>	<b>(19)</b>	<b>-</b>	<b>754</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 20

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	1	-	-	-	-	-	1	-
<b>Total</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 21

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	31	2	-	1	-	-	34	-
<b>Total</b>	<b>31</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 22

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Path/cycleways (shire wide cycleways)	230	111	-	9	(13)	-	337	-
<b>Total</b>	<b>230</b>	<b>111</b>	<b>-</b>	<b>9</b>	<b>(13)</b>	<b>-</b>	<b>337</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 23

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking (shire wide car parking)	1,429	-	-	48	(47)	-	1,430	-
<b>Total</b>	<b>1,429</b>	<b>-</b>	<b>-</b>	<b>48</b>	<b>(47)</b>	<b>-</b>	<b>1,430</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 25

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space (salt open space)	1,138	-	-	39	(58)	-	1,119	-
<b>Total</b>	<b>1,138</b>	<b>-</b>	<b>-</b>	<b>39</b>	<b>(58)</b>	<b>-</b>	<b>1,119</b>	<b>-</b>



Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 26

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space (shirewide)	699	1,163	-	32	(644)	-	1,250	-
<b>Total</b>	<b>699</b>	<b>1,163</b>	<b>-</b>	<b>32</b>	<b>(644)</b>	<b>-</b>	<b>1,250</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 27

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	178	132	-	7	(13)	-	304	-
<b>Total</b>	<b>178</b>	<b>132</b>	<b>-</b>	<b>7</b>	<b>(13)</b>	<b>-</b>	<b>304</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 28

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	256	39	-	10	(9)	-	296	-
<b>Total</b>	<b>256</b>	<b>39</b>	<b>-</b>	<b>10</b>	<b>(9)</b>	<b>-</b>	<b>296</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER 10

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	(1)	-	-	-	-	-	(1)	-
<b>Total</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	283	-	-	10	-	-	293	-
Traffic facilities	105	-	-	4	-	-	109	-
Open space	417	-	-	14	-	-	431	-
Community facilities	(24)	-	-	(1)	-	-	(25)	-
Footpath	2	-	-	-	-	-	2	-
<b>Total</b>	<b>783</b>	<b>-</b>	<b>-</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>810</b>	<b>-</b>



## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

##### (ii) Other guarantees

Council has provided no other guarantees other than those listed above.

##### 2. Other liabilities

##### (i) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

##### (ii) Richmond - Tweed Regional Library

Council together with other local government authorities to operate a regional facility known as the Richmond-Tweed Regional Library.

Annually, Councils contribute to fund its activities based upon a formula. In the event that Council wishes to withdraw from the arrangement, Council will receive its attributable share of assets and liabilities.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 18. Contingencies and other assets/liabilities not recognised (continued)

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 \$ '000
 

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**LIABILITIES NOT RECOGNISED** (continued):**2. Other Liabilities** (continued)**(iii) Legal Issues**

Council can defend actions in Land & Environment Court. It is not practical to estimate the amount, if any, for which the Council could be liable thereof.

**ASSETS NOT RECOGNISED:****(i) Infringement notices/fines**

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

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**Note 19. Interests in other entities**


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Council has no interest in any controlled entities, joint arrangements or associates.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		1,318,584	1,256,878
a. Correction of prior period errors	20 (c)	944	19,964
b. Net operating result for the year		31,325	42,686
c. Transfers between equity		127	–
<b>Balance at end of the reporting period</b>		<u><u>1,350,980</u></u>	<u><u>1,319,528</u></u>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		1,579,983	1,577,863
<b>Total</b>		<u><u>1,579,983</u></u>	<u><u>1,577,863</u></u>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		1,577,863	1,491,149
– Revaluations for the year	9(a)	2,247	86,714
– Transfer to retained earnings for asset disposals		(127)	–
– <b>Balance at end of year</b>		<u><u>1,579,983</u></u>	<u><u>1,577,863</u></u>
<b>TOTAL VALUE OF RESERVES</b>		<u><u>1,579,983</u></u>	<u><u>1,577,863</u></u>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>Correction of errors disclosed in this year's financial statements:</b>			
During the period, assets were identified that were not previously included and have now been recognised for the first time			
Roads		387	–
Bridges		172	–
Buildings		345	–
Other infrastructure		40	–
<b>Correction of errors as disclosed in last year's financial statements:</b>			
During 2014/15 Council performed revaluations and condition assessments on various asset classes. Assets were identified that were not previously included and have now been recognised for the first time:			
Roads		–	4,204
Bridges		–	2,154
Stormwater drainage		–	1,088
Footpaths		–	4,794
Other Open Space/Recreational assets		–	6,754
Buildings identified and recognised in Council's asset register for the first time:		–	26
Comparative figures in the Statement of Financial Position have been restated, however Council does not deem it sufficiently material to disclose a third Statement of Financial Position.			
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		–	19,020
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		944	–
<b>Total prior period adjustments – prior period errors</b>		<b>944</b>	<b>19,020</b>

**(d) Voluntary changes in accounting policies**

Council made no voluntary changes in any accounting policies during the year.



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	5,193	26,644	68,750
User charges and fees	20,003	3,280	22,467
Interest and investment revenue	1,406	2,161	5,099
Other revenues	827	20	2,063
Grants and contributions provided for operating purposes	930	552	19,779
Grants and contributions provided for capital purposes	3,858	5,291	14,017
<b>Total income from continuing operations</b>	<b>32,217</b>	<b>37,948</b>	<b>132,175</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	4,437	6,697	42,028
Borrowing costs	4,536	2,809	6,055
Materials and contracts	8,974	8,333	24,646
Depreciation and amortisation	6,522	10,707	23,906
Impairment	-	-	-
Other expenses	954	1,736	10,393
Net losses from the disposal of assets	1,955	3,313	3,014
Share of interests in joint ventures and associates using the equity method	-	-	-
<b>Total expenses from continuing operations</b>	<b>27,378</b>	<b>33,595</b>	<b>110,042</b>
<b>Operating result from continuing operations</b>	<b>4,839</b>	<b>4,353</b>	<b>22,133</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	-	-	-
<b>Net operating result for the year</b>	<b>4,839</b>	<b>4,353</b>	<b>22,133</b>
<b>Net operating result attributable to each council fund</b>	<b>4,839</b>	<b>4,353</b>	<b>22,133</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>981</b>	<b>(938)</b>	<b>8,116</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## Tweed Shire Council

## Notes to the Financial Statements

as at 30 June 2016

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	616	3,816	5,098
Investments	26,000	35,000	62,689
Receivables	3,318	2,232	8,054
Inventories	-	-	931
Other	19	17	675
Non-current assets classified as 'held for sale'	-	-	-
<b>Total current assets</b>	<b>29,953</b>	<b>41,065</b>	<b>77,447</b>
<b>Non-current assets</b>			
Investments	17,000	31,000	88,520
Receivables	-	-	100
Inventories	-	-	-
Infrastructure, property, plant and equipment	498,267	610,378	1,756,100
Investments accounted for using the equity method	-	-	-
Investment property	-	-	-
Intangible assets	-	-	415
<b>Total non-current assets</b>	<b>515,267</b>	<b>641,378</b>	<b>1,845,135</b>
<b>TOTAL ASSETS</b>	<b>545,220</b>	<b>682,443</b>	<b>1,922,582</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	404	951	13,549
Borrowings	1,349	2,255	4,077
Provisions	-	-	20,495
<b>Total current liabilities</b>	<b>1,753</b>	<b>3,206</b>	<b>38,121</b>
<b>Non-current liabilities</b>			
Payables	-	-	543
Borrowings	62,196	29,545	78,948
Provisions	-	-	4,970
<b>Total non-current liabilities</b>	<b>62,196</b>	<b>29,545</b>	<b>84,461</b>
<b>TOTAL LIABILITIES</b>	<b>63,949</b>	<b>32,751</b>	<b>122,582</b>
<b>Net assets</b>	<b>481,271</b>	<b>649,692</b>	<b>1,800,000</b>
<b>EQUITY</b>			
Retained earnings	196,355	236,290	918,335
Revaluation reserves	284,916	413,402	881,665
<b>Total equity</b>	<b>481,271</b>	<b>649,692</b>	<b>1,800,000</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.



## Tweed Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 27/10/16.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

**Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.**

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	3,651	3,653
Accumulated amortisation (1/7)	(3,375)	(3,064)
Accumulated impairment (1/7)	-	-
<b>Net book value – opening balance</b>	<b>276</b>	<b>589</b>
<b>Movements for the year</b>		
– Purchases	182	10
– Development costs	35	
– Amortisation charges	(78)	(323)
– Gross book value written off	(270)	(12)
– Accumulated amortisation charges written off	270	12
<b>Closing values:</b>		
Gross book value (30/6)	3,598	3,651
Accumulated amortisation (30/6)	(3,183)	(3,375)
Accumulated impairment (30/6)	-	-
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE <sup>1</sup></b>	<b>415</b>	<b>276</b>

<sup>1</sup> The net book value of intangible assets represent:

– Software	415	276
	<b>415</b>	<b>276</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tips	2020	620	637
Quarries	2020	243	261
<b>Balance at end of the reporting period</b>		<b>863</b>	<b>898</b>

10(a)

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

**Reconciliation of movement in provision for year:**

Balance at beginning of year	898	897
Amortisation of discount (expensed to borrowing costs)	(35)	1
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>863</b>	<b>898</b>

## Tweed Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Financial assets

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
- 'Held for trading'	-	74,174	-	74,174
<b>Total financial assets</b>	-	<b>74,174</b>	-	<b>74,174</b>
<b>Material Infrastructure, property, plant and equipment</b>				
Operational land	-	-	485,137	485,137
Community land	-	-	106,830	106,830
Land under roads	-	-	44,910	44,910
Buildings – non-specialised	-	-	141,804	141,804
Roads (including bulk earthworks)	-	-	655,751	655,751
Bridges	-	-	159,458	159,458
Footpaths	-	-	30,946	30,946
Stormwater drainage	-	-	152,307	152,307
Water supply network	-	-	459,056	459,056
Sewerage network	-	-	553,681	553,681
<b>Total infrastructure, property, plant and equipment</b>	-	-	<b>2,789,880</b>	<b>2,789,880</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

2015	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– 'Held for trading'	–	57,296	–	57,296
<b>Total financial assets</b>	<b>–</b>	<b>57,296</b>	<b>–</b>	<b>57,296</b>
<b>Material Infrastructure, property, plant and equipment</b>				
Operational land	–	–	455,867	455,867
Community land	–	–	161,094	161,094
Land under roads	–	–	44,105	44,105
Buildings – non-specialised	–	–	126,540	126,540
Buildings – specialised	–	–	6,315	6,315
Roads (including bulk earthworks)	–	–	652,026	652,026
Bridges	–	–	157,374	157,374
Footpaths	–	–	30,706	30,706
Stormwater drainage	–	–	150,176	150,176
Water supply network	–	–	455,588	455,588
Sewerage network	–	–	549,832	549,832
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>–</b>	<b>2,789,623</b>	<b>2,789,623</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Financial assets

Council's financial assets are held in a number of forms including cash on hand and at bank, deposits at call, term deposits, floating rate notes and fixed rate bonds. Of these, floating rate notes and fixed rate bonds are fair valued.

These investments are valued by Laminar Group Pty Ltd, using marked to market methodology. Laminar has elected to use the mid-price, that is, the price point that falls halfway between the bid and offer spread to value securities held in portfolios within the Treasury Direct system. Typically when an asset has no bid price or ask price, other level 2 inputs are used to determine the most appropriate fair value, such as quoted prices for similar assets, interest rates, yield curves and credit spreads. Appropriateness may change depending upon market conditions and asset type.

Movements in investments, including fair value movements, are reported to Council monthly.

##### Infrastructure, property, plant and equipment

##### Operational Land

Council's operational land includes all of Council's land classified as operational land under the Local Government Act 1993. Land use is extremely varied and includes Public Parks, Drainage Reserves, Sports fields, Sewer Pump Stations & Community Services.

Valuation indexation indices are applied on an annual basis only where the percentage indexation results in a material change. A comprehensive revaluation is completed every five years, the most recent one being performed for 30 June 2013 by APV Valuers and Asset Management.

Valuation indexation indices for 30 June 2016 have been sourced from Valuers General land valuation reports – 'Tweed 2015 Valuation Final Report', prepared by Valuers Australia Real Estate Advisors. Valuation changes have been applied depending on land zoning - Residential, Rural, Village, Commercial, Industrial, Infrastructure, Environmental Protection, Recreation or Waterway Recreation.

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence such as sales of dissimilar but comparable land. Where there is no observable market evidence, for example parks and reserves, Fair Value is then determined by the cost to acquire it (Current Replacement Cost) rather than what you could sell it for (Market Value).

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining a rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets, require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.



## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

##### **Community Land**

Council's Community Land is land owned by Council and Council Administered Crown Land (CACL). It is land intended for public access and use or where other restrictions apply to the land create some obligation to maintain public access. Many of these parcels of land have no practical use other than for parks, reserves and cemeteries. Community Land cannot be sold, cannot be leased or licensed for more than 21 years at a time and must have a plan of management for it.

A revaluation was performed for 30 June 2016, when the Valuer General issued Unimproved Capital Values (UCV) for properties with a base date of 1 July 2015. Only in a couple of instances where the Valuer has not yet provided a land value, a unit rate per square metre is applied at the same rate as a similar community land parcel within close proximity.

The key unobservable input to the valuation is the rate per square metre. Influencing elements in determining rate per square metre include market movements, location, size, shape, access, topography, exposure to traffic and facilities, condition (Impairment), use / zoning and flooding risk levels.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

##### **Land under Roads**

Land under Roads is land under roadways, and road reserves, including land under footpaths, nature strips and median strips, as per AASB1051.

Land under Roads was recognised for the first time at 30 June 2011. Council elected to recognise Land under Roads acquired pre 1 July 2008 and post 30 June 2008 as per ASSB 116 - Property, Plant and Equipment. Fair Value for Land under Roads was determined using the Englobo methodology derived from the Local Government Code of Accounting Practice and Financial Reporting. This method applies the total shires road reserve in square metres to the average shires rate calculated from the latest Valuers General Unimproved Capital Values (UCV), with a 90% discount.

This asset class is categorised as Level 3 as inputs used in the valuation require significant professional judgement and are therefore unobservable.

Valuation techniques remained the same for this reporting period.

##### **Buildings – Non Specialised & Specialised**

Buildings are owned or controlled Non Specialised and Specialised buildings. They are componentised into Floor, Building Envelope, Floor Fit-out, Internal Screens Fit-out, Roof, Mechanical Services, Fire Services and Transportation and Security Services. Building use is extremely varied and includes civic centre administration, depot, community and cultural services such as museums, art galleries, libraries, childcare and aged care, sport and recreation clubhouse amenities and Public Amenities.

Valuation indexation indices are applied on an annual basis only where the percentage indexation results in a material change. Indexation of 2.8% was applied in 2016 (source – Producer Price Index Non-residential building construction New South Wales published by the Australian Bureau of Statistics). A comprehensive revaluation is completed every five years, the most recent one being performed for 30 June 2013 by a registered valuation company.

## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

Where there is an active and liquid market, Fair Value is Market Value being highest and best use. When there is no active and liquid market, assessment is made as to whether there is alternative market evidence; Such as sales of dissimilar but comparable buildings or if the value is driven by its cash generation, a Discounted Cash Flow (DCF) approach is used to determine its fair value. Where there is no observable market evidence, Fair Value is then determined by the cost to acquire it (Depreciated Current Replacement Cost) rather than what you could sell it for (Market Value).

This asset class is categorised as Level 3 with the key unobservable input to the valuation being the Gross Replacement Cost which is influenced by changes in construction costs. Other unobservable inputs are condition changes to any of the buildings components and hence patterns of consumption, remaining useful life and residual values. Professional judgement is required to establish the value of a building which is intrinsically linked to the value of the associated land as combined they represent fair value of the entire parcel.

The depreciation method used for this asset class is consumption based straight line.

Valuation techniques remained the same for this reporting period.

#### Roads

This asset class comprises the Road Carriageway, Car Parks, Kerb and Gutter, Retaining Walls and Traffic Facilities. The road carriageway consists of the trafficable portion of a road, between but not including the kerb and gutter. The road carriageway is componentised into surface, pavement, pavement sub base and formation and further separated into segments for inspection and valuation.

A valuation of Road assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 0.7% was applied in this reporting period, 2015/16.

The valuation process commences with a condition assessment of each asset. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The condition of Tweed Shire Council's road segment asset stock is determined by visual inspection in a revaluation year, with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system. Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, residual value and remaining service potential. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

#### Bridges

Council's Bridge asset register consists of all pedestrian and vehicle access bridges. Bridge assets are componentised into significant parts with different useful lives and patterns of consumption, including the Sub Structure (abutments and foundations), Super Structure, Rails and Surface (where applicable).



## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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A valuation of Bridge assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 0.7% was applied in this reporting period, 2015/16.

The valuation process commences with a condition assessment of each asset. Bridges were physically inspected to determine condition. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The data collected is used to calculate the remaining service potential of each asset with the latest condition assessment undertaken late in 2015.

Valuations for this asset class were assessed and provided by a registered valuation company. Technical information for the valuation was extracted from Council's asset management system. Assets were valued using the cost approach. The unit rates are then applied to square or lineal meters as applicable to establish replacement cost at component level. The value of each component is summed to arrive at an overall fair value for an individual asset.

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, residual value and remaining life. These inputs impacted significantly on the determination of fair value.

The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

#### **Footpaths**

This asset class consists of footpaths on road reserves and cycle-ways on Council owned and controlled reserves. Footpaths are segmented to match the adjacent road segment. No further componentisation is undertaken.

A valuation of Footpath assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 0.7% was applied in this reporting period, 2015/16.

A condition assessment was undertaken by an external provider in 2015 to determine footpath condition ratings. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. Footpath unit rates were developed by a registered valuation company. Assets were valued using the cost approach.

This asset class is categorised Level 3 as extensive professional judgement based on historical information and experience was applied in determining residual values and remaining useful life. The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period

#### **Drainage Infrastructure**

This asset class consists of pits, pipes, open channels, culverts and headwalls. Pipes are segmented from node to node. No further componentisation is undertaken.

A valuation of Drainage assets is undertaken on a five year cycle with values indexed every other year as per the Producer Price Index – Road and Bridge Construction New South Wales published by the Australian Bureau of Statistics. Indexation of 0.7% was applied in this reporting period, 2015/16.

Fair Values were calculated by a registered valuation company. Assets were valued using the cost approach.

## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

This asset class is categorised Level 3 as extensive professional judgment was required in applying unobservable inputs including the pattern of consumption, useful life, residual value and remaining life. Asset conditions are assumed based on the age of the pipe with some sample testing via CCTV inspections. A condition scale of 1 to 5 is assigned to each asset, with 1 representing excellent condition and 5 representing very poor condition. The depreciation method used for this asset class is condition based straight-line.

Valuation techniques remained the same for this reporting period.

##### **Water Supply Network**

Assets within this class comprise dams, weirs, reservoirs, water treatment plant, water pumping stations and water pipelines.

This asset class is classified as being valued using Level 3 inputs.

The water supply network, excluding water pipelines, was valued by APV Valuers & Asset Management for 30 June 2012. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.

The water pipeline assets were last comprehensively revalued as at 30 June 2012. The unit rates were developed in-house using a recognised estimating software package Benchmark Estimator. This uses the Cost Approach, values were taken from contract price list, and actual internal costs. Unit rates for some pipe sizes were provided by APV. Depreciation is calculated using the straight line, aged based method, with varying useful lives for different material types and purpose.

These assets are indexed annually using the rate as determined by NSW Office of Water, being 1.50% for the 2015/16 reporting period.

This asset class is classified as being valued using Level 3 inputs. There has been no change to the valuation process during the reporting period.

##### **Sewerage Network**

Assets within this class comprise sewer treatment plants, sewer pumping stations, sewer pipelines.

This asset class is classified as being valued using Level 3 inputs.

The sewerage network, excluding water pipelines, was valued by APV Valuers & Asset Management for 30 June 2012. The Gross Current Replacement Value had been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for installation and professional fees. The Gross Current Replacement Value costings were derived from reference to costing guides issued by the Australian Institute of Quantity Surveyors, NSW Reference Rates Manual, Rawlinson's (Australian Construction Handbook), Tweed Shire Council and APV internal database of costs. The Fair Value is the Gross Current Replacement Value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset. The depreciation of the assets was carried out by conducting a condition assessment of each asset at component level. Components have varying useful lives and consumption patterns.



## Tweed Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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The sewer pipeline assets were last comprehensively revalued as at 30 June 2012. The unit rates were developed in-house using a recognised estimating software package Benchmark Estimator. This uses the Cost Approach, values were taken from contract price list, and actual internal costs. Unit rates for some pipe sizes were provided by APV. Depreciation is calculated using the straight line, aged based method, with varying useful lives for different material types and purpose.

These assets are indexed annually using the rate as determined by NSW Office of Water, being 1.50% for the 2015/16 reporting period.

There has been no change to the valuation process during the reporting period.

## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3)

## a. The following tables present the changes in level 3 fair value asset classes.

	Operational land	Community land	Land under roads	Buildings non-specialised	Buildings specialised	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/14</b>	442,875	160,501	43,967	115,953	6,258	593,888	155,143	26,827	1,545,412
Transfers from/(to) another asset class	125	(125)	–	642	–	–	509	(509)	642
Purchases (GBV)	10,050	629	138	11,687	90	13,466	1,215	1,608	38,883
Disposals (WDV)	(1,310)	–	–	(275)	–	(1,436)	(248)	(205)	(3,474)
Depreciation and impairment	–	–	–	(1,498)	(33)	(15,645)	(2,155)	(560)	(19,891)
FV gains – other comprehensive income	4,128	89	–	(201)	–	57,549	756	(1,249)	61,072
Other movement	(1)	–	–	232	–	4,204	2,154	4,794	11,383
<b>Closing balance – 30/6/15</b>	<b>455,867</b>	<b>161,094</b>	<b>44,105</b>	<b>126,540</b>	<b>6,315</b>	<b>652,026</b>	<b>157,374</b>	<b>30,706</b>	<b>1,634,027</b>
Transfers from/(to) another asset class	(8)	8	–	6,315	(6,315)	–	–	–	–
Purchases (GBV)	955	196	50	2,774	–	12,171	3,271	846	20,263
Disposals (WDV)	(58)	–	(1)	(39)	–	(1,425)	(320)	(338)	(2,181)
Depreciation and impairment	–	–	–	(1,265)	–	(11,943)	(2,147)	(507)	(15,862)
FV gains – other comprehensive income	22,012	(54,468)	756	3,548	–	4,558	1,108	215	(22,271)
Other movement	–	–	–	3,945	–	364	172	24	4,505
<b>Closing balance – 30/6/16</b>	<b>478,768</b>	<b>106,830</b>	<b>44,910</b>	<b>141,818</b>	<b>–</b>	<b>655,751</b>	<b>159,458</b>	<b>30,946</b>	<b>1,618,481</b>



## Tweed Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) continued

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Stormwater drainage	Water supply network	Sewerage network	Total
<b>Opening balance – 1/7/14</b>	140,817	453,586	546,822	1,141,225
Purchases (GBV)	4,182	2,419	7,071	13,672
Disposals (WDV)	(35)	(47)	(1,861)	(1,943)
Depreciation and impairment	(2,791)	(7,097)	(10,326)	(20,214)
FV gains – other comprehensive income	6,915	6,727	8,126	21,768
Other movement	1,088	–	–	1,088
<b>Closing balance – 30/6/15</b>	<b>150,176</b>	<b>455,588</b>	<b>549,832</b>	<b>1,155,596</b>
Purchases (GBV)	3,667	5,115	9,575	18,357
Disposals (WDV)	(182)	(1,955)	(3,313)	(5,450)
Depreciation and impairment	(2,413)	(6,471)	(10,595)	(19,479)
FV gains – other comprehensive income	1,059	6,779	8,182	16,020
<b>Closing balance – 30/6/16</b>	<b>152,307</b>	<b>459,056</b>	<b>553,681</b>	<b>1,165,044</b>

## (5). Highest and best use

All of Council's non-financial assets are considered to be utilised for their highest and best use.

## Tweed Shire Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

Civic & Cultural Centre Tumbulgum Road  
Murwillumbah NSW 2484

**Contact details**

**Mailing address:**

PO Box 816  
Murwillumbah NSW 2484

**Opening hours:**

8.30 am - 4.15 pm Monday to Friday  
Closed Public Holidays

**Telephone:** 1300 292 872

**Facsimile:** 02 6670 2149

**Internet:** [www.tweed.nsw.gov.au](http://www.tweed.nsw.gov.au)

**Email:** [tsc@council.nsw.gov.au](mailto:tsc@council.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Troy Green

**RESPONSIBLE ACCOUNTING OFFICER**

Michael Chorlton

**PUBLIC OFFICER**

Neil Baldwin

**AUDITORS**

Thomas Noble & Russell  
Chartered Accountants  
31 Keen Street  
Lismore NSW 2480

**Elected members**

**MAYOR**

Katie Milne

**COUNCILLORS**

Gary Bagnall  
Barry Longland  
Carolyn Byrne  
Warren Polglase  
Phil Youngblutt

**Other information**

**ABN:** 90 178 732 496



# Tweed Shire Council

Report to Council  
under s417 of the *Local Government Act 1993*

30 June 2016

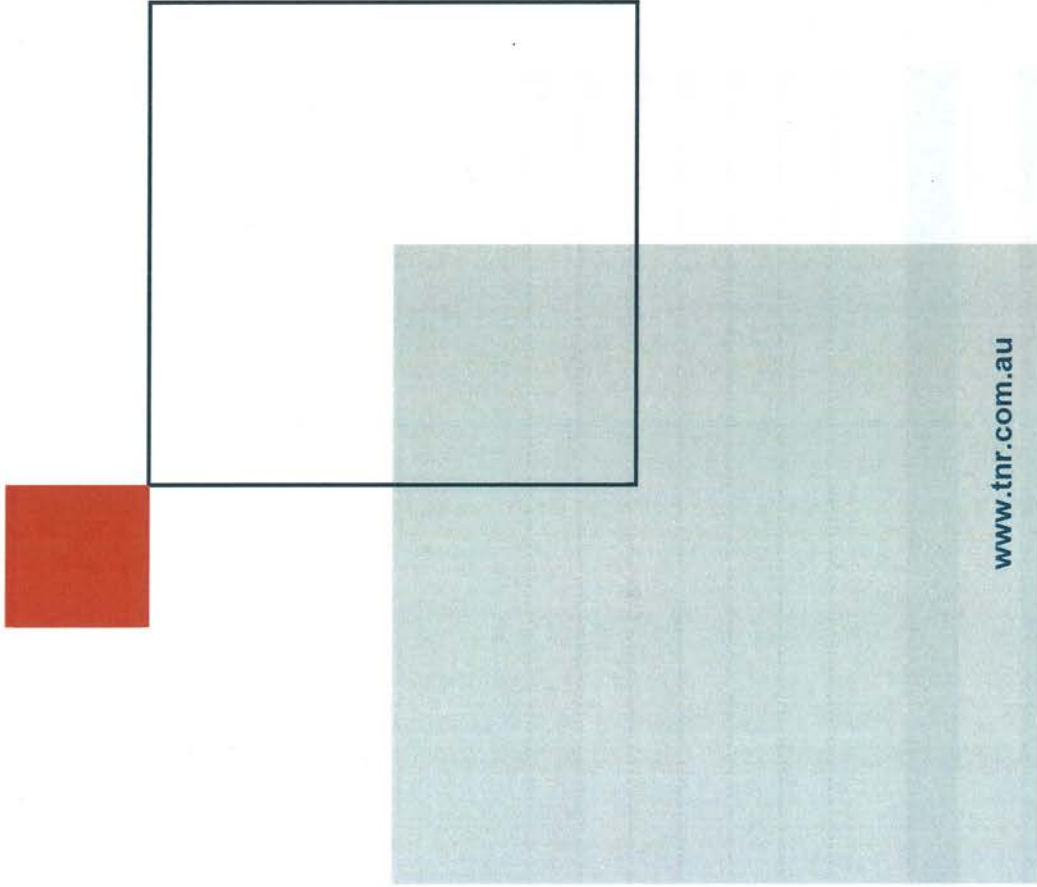


**TWEED**  
SHIRE COUNCIL



Thomas  
Noble &  
Russell

Accountants | Auditors | Business Advisers



[www.tnr.com.au](http://www.tnr.com.au)

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## Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*. Section 417(3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit.

## Income Statement

This section provides Council with an overview of your financial results and includes commentary on key elements of the financial statements.

### Consolidated Result

Consolidated Operating Result	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
Revenues from Continuing Operations	178,921	169,374	
Expenses from Continuing Operations	(121,345)	(121,446)	
<b>Result from Continuing Operations before Depreciation</b>	<b>57,576</b>	<b>47,928</b>	
Depreciation Expense	(41,135)	(45,043)	
<b>Operating Result after Depreciation and before Capital Revenue and Other Significant Items</b>	<b>16,441</b>	<b>2,885</b>	
<i>Significant Items Impacting the Operating Result:</i>			
Gain / (Loss) on Disposal of Assets	(8,282)	(5,681)	
<b>Operating Result before Capital Revenue</b>	<b>8,159</b>	<b>(2,796)</b>	
Capital Grants and Contributions	23,166	45,482	
<b>Result from All Activities</b>	<b>31,325</b>	<b>42,686</b>	<ul style="list-style-type: none"> <li>▪ Council's consolidated surplus from all activities for 2016 was \$31,325,000, which is down \$11,361,000 compared to the prior year.</li> <li>▪ Refer to the 'Explanation for material changes in operations' section of this report for relevant audit comments regarding the financial results.</li> </ul>



## Results by Fund

Operating Result by Fund	General Current Year (\$,000)	General Prior Year (\$,000)	Water Current Year (\$,000)	Water Prior Year (\$,000)	Sewer Current Year (\$,000)	Sewer Prior Year (\$,000)
Revenues from Continuing Operations	118,158	115,181	28,359	23,880	32,657	30,438
Expenses from Continuing Operations	(83,122)	(82,776)	(18,901)	(18,786)	(19,575)	(19,884)
<b>Result from Continuing Operations before Depreciation</b>	<b>35,036</b>	<b>32,405</b>	<b>9,458</b>	<b>5,094</b>	<b>13,082</b>	<b>10,554</b>
Depreciation Expense	(23,906)	(27,462)	(6,522)	(7,145)	(10,707)	(10,436)
<b>Operating Result after Depreciation and before Capital Revenue and Other Significant Items</b>	<b>11,130</b>	<b>4,943</b>	<b>2,936</b>	<b>(2,051)</b>	<b>2,375</b>	<b>118</b>
<i>Significant Items Impacting the Operating Result:</i>						
Gain / (Loss) on Disposal of Assets	(3,014)	(3,498)	(1,955)	(322)	(3,313)	(1,861)
<b>Operating Result before Capital Revenue</b>	<b>8,116</b>	<b>1,320</b>	<b>981</b>	<b>(2,373)</b>	<b>(938)</b>	<b>(1,743)</b>
Capital Grants and Contributions	14,017	34,431	3,858	5,835	5,291	5,216
<b>Result from All Activities</b>	<b>22,133</b>	<b>35,751</b>	<b>4,839</b>	<b>3,462</b>	<b>4,353</b>	<b>3,473</b>

The operating result before capital revenue for all three (3) Funds has improved on the prior year and is mainly as a result of increased revenues from continuing operations such as rates, annual and user charges (as anticipated in the 2015/16 Budget).

Refer to the 'Explanations for material changes in operations' section of this report for audit comments regarding the financial results.

**Explanations for material changes in operations (Operating Result Before Depreciation and Capital Items)**

Line Item	Audit Comment
<b>Revenues</b>	
Rates and Annual Charges	<p>↑ \$4,752,000</p> <p>Increase arising from additional rating assessments and Council pricing.</p>
User Charges & Fees	<p>↑ \$4,918,000</p> <p>The increase was primarily due to an increase in user charges for water supply services of \$3,789,000 arising from a prior year change in Council's billing cycle as well as additional water consumption charges.</p>
<b>Expenses</b>	
Employee Benefits and on-costs	<p>↑ \$2,999,000</p> <p>The NSW Local Government State Award included a 2.7% increase to salary and wages for the current year. In addition, Council's employee leave entitlements increased with the impact of discounting Long Service Leave to net present value in accordance with Australian Accounting Standards.</p>
Materials and Contracts	<p>↓ \$2,377,000</p> <p>The decrease in raw materials and consumables is commensurate with the timing of relevant works between years.</p>



## Explanations for material changes in operations (Operating Result After Depreciation and Capital Items)

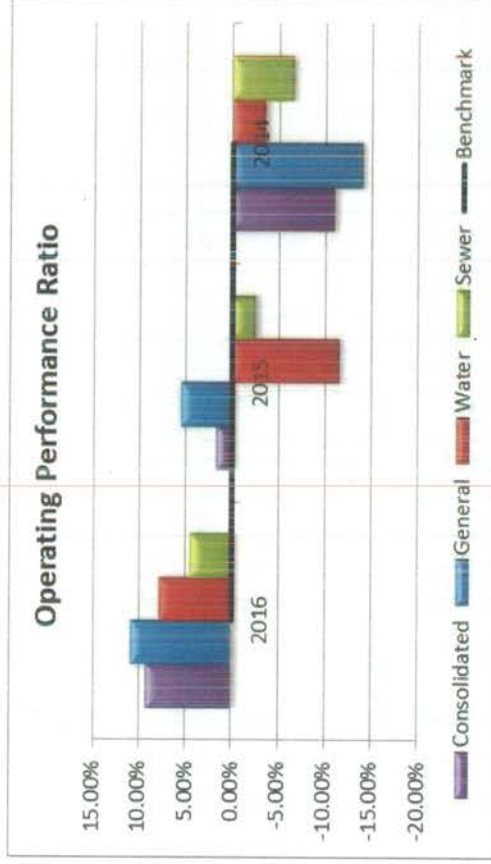
Line Item	Audit Comment
<b>Revenues</b>	
Capital Grants	<p>In the prior year, Council received a \$1,890,000 grant from the NSW Office of Environment &amp; Heritage to assist in the purchasing of plant for an organic waste processing facility as well as \$1,497,000 in further grant funding from the Department of Infrastructure and Regional Development for the redevelopment of Arkinstall Park Regional Sports Centre at Tweed Heads.</p>
Capital Contributions	<p>In 2014/15, Council purchased a building at Tweed Heads from Southern Cross University, resulting in a capital contribution received of \$8,848,000 representing the difference between the consideration paid and the fair value of the asset purchased. In addition, there was a \$7,675,000 reduction in infrastructure Dedications received which can fluctuate significantly year-to-year based on the level of development activity and Council projects occurring within the Shire.</p>
<b>Expenses</b>	
Depreciation, Amortisation & Impairment	<p>The decrease is attributable to the depreciation impacts on transport assets arising from the comprehensive revaluation of this asset class performed in the prior year.</p>
Loss on Disposal of Assets	<p>Mainly relates to water supply network and sewerage network disposals, as a result of major programs being undertaken by Council to upgrade sewer pumping stations, reline a number of large water reservoirs and to replace ageing water pipelines.</p>

## Income Statement Ratios

### Operating Performance Ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue. The industry benchmark is greater than 0%.

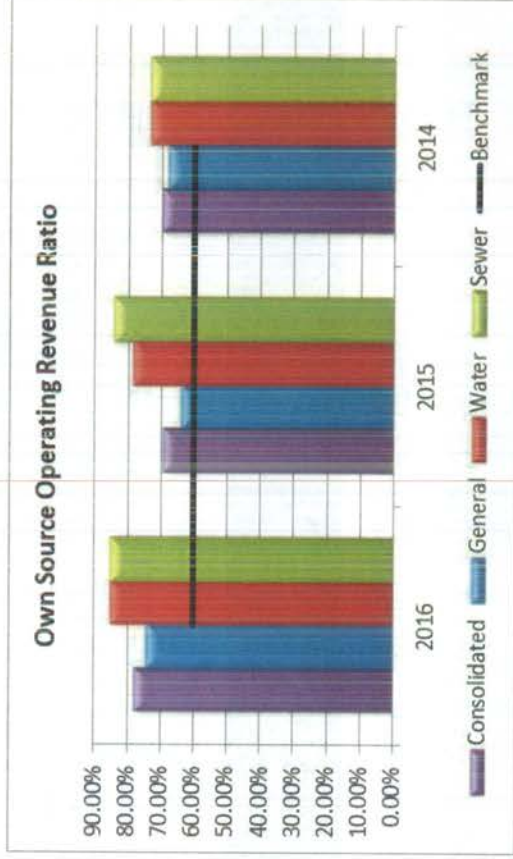
As illustrated, all three (3) Funds have achieved an operating surplus after depreciation but before capital items, losses on disposal of assets and fair value gains /& losses. This is a significant improvement on prior years.



### Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions. The industry benchmark is greater than 60%.

The graph illustrates that Council sources 78% of its consolidated revenue from rates & annual charges, user charges & fees, interest & investment revenue and other revenues, which well exceeds the industry benchmark.





## Statement of Cash Flows

Line Item	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
Operating Receipts	204,724	203,909	
Operating Payments	(124,961)	(124,634)	
<b>Net Cash Provided by Operating Activities</b>	<b>79,763</b>	<b>79,275</b>	
Investing Receipts	87,867	81,808	
Investing Payments	(163,175)	(164,166)	
<b>Net Cash Used in Investing Activities</b>	<b>(75,308)</b>	<b>(82,358)</b>	
Financing Receipts	1,976	6,046	
Financing Payments	(8,418)	(7,853)	
<b>Net Cash Used in Financing Activities</b>	<b>(6,442)</b>	<b>(1,807)</b>	
Net Increase / (Decrease in Cash and Cash Equivalents	586	(4,890)	
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>11,517</b>	<b>16,407</b>	
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>9,530</b>	<b>11,517</b>	

## Statement of Financial Position

Line Item	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
Current Assets	148,465	154,480	
Non-Current Assets	3,001,780	2,966,562	
<b>Total Assets</b>	<b>3,150,245</b>	<b>3,121,042</b>	
Current Liabilities	43,080	40,398	
Non-Current Liabilities	176,202	183,253	
<b>Total Liabilities</b>	<b>219,282</b>	<b>223,651</b>	
<b>Net Assets</b>	<b>2,930,963</b>	<b>2,897,391</b>	
Retained Earnings	1,350,980	1,319,528	
Revaluation Reserves	1,579,983	1,577,863	
<b>Total Equity</b>	<b>2,930,963</b>	<b>2,897,391</b>	

- Current Assets has decreased mainly as a result of a decrease in Receivables (Government Grants and Subsidies) by \$3,929,000 due to prior year accrued grant funding from the Department of Infrastructure & Regional Development arising from expenditure incurred in relation to the Stage 2 upgrade of Kennedy Drive (completed in April 2015).

- Non-Current Assets has increased as a result of an increase in Non-Current Investments of \$36,703,000.

- Current liabilities has increased arising from an increase in the long service leave liability and the current portion of loans to be repaid in-line with Council's borrowing program.

- Non-Current Liabilities has decreased with the reduction of borrowings through principal repayments.

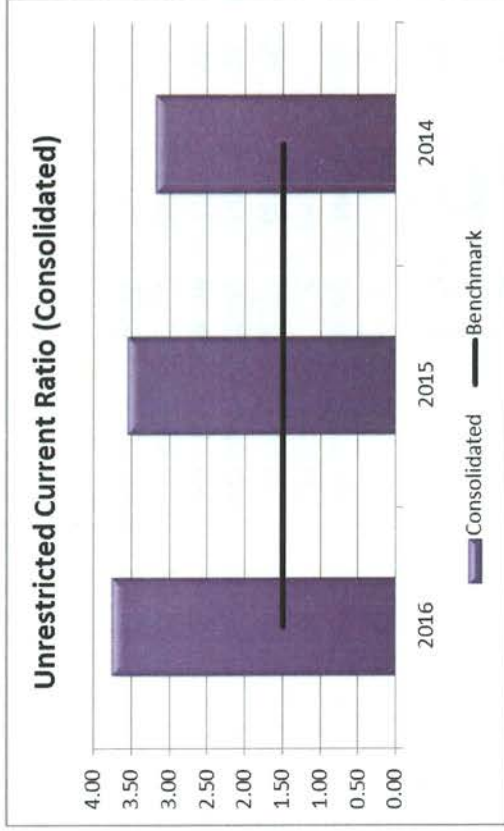


## Statement of Financial Position Ratios

### Unrestricted Current Ratio

This ratio is used to assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council. The industry benchmark is greater than 1.50.

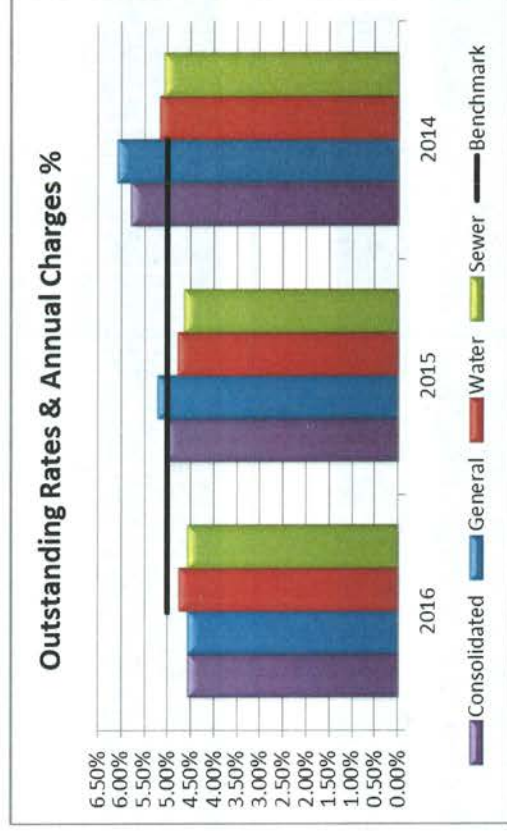
At balance date, Council has \$3.75 in unrestricted current assets for every \$1 of unrestricted current liabilities. This indicates that Council's financial position is very strong on a short-term basis, however the bulk of Council assets are long lived assets and are required to be maintained on a long term basis.



### Rates & Annual Charges Outstanding Percentage

This ratio is used to assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts. The industry benchmark is less than 5%.

All three (3) Funds are now under the industry benchmark and this reflects Council's continued and rigorous debt recovery actions. However it is important that Council continues its effort to decrease this ratio as low as reasonable possible.



## Infrastructure, Property, Plant & Equipment Matters

### Depreciation

Asset Class	2016			2015		
	Cost to Replace \$'000	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	Cost to Replace \$'000
Plant & Equipment	39,856	22,956	3,115	22,280	3,000	40,766
Land	636,877	636,877	0	661,066	0	661,066
Buildings	161,089	141,804	1,759	132,855	1,531	149,699
Other structures	52,204	35,429	2,092	37,212	1,600	51,337
Artworks	5,327	5,327	0	4,947	0	4,947
Tip & Quarry	864	47	15	62	15	863
<b>Infrastructure</b>						
Roads, Bridges & Footpaths	904,248	701,818	14,597	691,352	18,360	881,736
Bulk Earthworks	144,337	144,337	0	148,753	0	148,753
Stormwater Drainage	226,462	152,307	2,413	150,176	2,791	221,616
Water Supply Network	632,287	459,056	6,471	455,588	7,097	620,979
Sewerage Network	778,911	553,681	10,595	549,832	10,326	762,147
Capital Work in Progress	11,106	11,106	0	11,495	0	11,494
<b>TOTALS</b>	<b>3,593,568</b>	<b>2,864,745</b>	<b>41,057</b>	<b>2,865,618</b>	<b>44,720</b>	<b>3,555,403</b>

The above table quantifies the written down value as well as the impact of depreciation for each asset class.

The major movement in depreciation for the year relates to a decrease in depreciation for 'Roads, Bridges & Footpaths' of \$3,763,000 as a result of the comprehensive revaluation of this asset class in the prior year.



## Asset Revaluations

The NSW Office of Local Government has mandated that all infrastructure assets, including land and buildings, are to be recognised in Council's financial records at their fair value.

During the year, Council comprehensively revalued Community Land (utilising values from the NSW Valuer-General), Land Under Roads, Swimming Pools and Other Infrastructure using external sources and internal expertise. In addition, other asset classes were indexed where considered material by Council.

The resultant increase to the asset revaluation reserve for the year was \$2,247,000.

Council will be undertaking a comprehensive revaluation of water and sewer infrastructure in the 2017 financial year.

### Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of Infrastructure, Property, Plant & Equipment capitalised over the past two years is provided below:

Line Item	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
<b>Council Constructed / Purchased Assets:</b>			
Infrastructure Under Construction - WIP	9,501	11,026	
Land, Buildings & Other Structures	5,076	9,781	
Plant and Equipment	5,937	4,053	
Roads and Drainage Network	14,479	10,266	
Water Supply Network	2,714	655	
Sewer Network	3,463	2,510	
Other Assets	193	307	
<b>Non-Cash Developer Contributions</b>	<b>3,608</b>	<b>4,588</b>	
<b>Non-Cash Grants/Contributions</b>	<b>3,563</b>	<b>20,884</b>	
<b>Total Asset Additions</b>	<b>48,534</b>	<b>64,070</b>	
<b>Asset Additions - Renewals</b>	<b>26,046</b>	<b>16,511</b>	
<b>Asset Additions – New</b>	<b>22,488</b>	<b>47,559</b>	

- Council Constructed / Purchased Assets remain fairly comparable to the prior year. There were no major new capital projects during the current financial year.

- Non-Cash Grants/Contributions is down \$17,321,000 on the prior year, in line with the decrease in revenue from Contributions (Capital).

- Asset renewals now exceed asset additions, however the rate at which assets are depreciated still exceed the rate at which assets are being renewed on a consolidated basis (as seen in the Building & Infrastructures Renewals Ratio disclosed in Special Schedule 7).



## Asset Management Performance Indicators

The NSW Office of Local Government has introduced several performance indicators designed to provide Council with measures of asset management.

### Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of Special Schedule 7. At this point in time it is unclear when the first audit will be undertaken, as the framework to allow information to be prepared consistently across all NSW council's is yet to be finalised. In early 2016, the Office of Local Government undertook an audit of each council's preparedness for the audit of Special Schedule 7. The results of this audit indicated that most local government authorities require greater investment in asset management practices. The audit of Council's asset management practices indicated that there is moderate compliance with most aspects of asset management best practice.

To ensure Council's asset management practices and systems continue to mature, and also prepare for a possible audit of Special Schedule 7, it will be important for Council to:

- Review the information contained in Special Schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing assets.

## Debt Levels

### Loan Liability

Line Item	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
Current Loan Liability	7,681	7,221	
Non-Current Loan Liability	170,689	177,072	
<b>Total Loan Liability</b>	<b>178,370</b>	<b>184,293</b>	
<b>By Fund</b>			
Water Fund	63,545	64,803	
Sewer Fund	31,800	33,886	
General Fund	83,025	85,604	
<b>Total</b>	<b>178,370</b>	<b>184,293</b>	<ul style="list-style-type: none"> <li>Total borrowings have reduced by \$6,441,000, due to principal repayments of \$8,417,000 and new borrowings of only \$1,976,000 (in line with the 2015/2016 Budget).</li> <li>This illustrates Councils commitment to reduce debt levels and borrowing costs.</li> </ul>



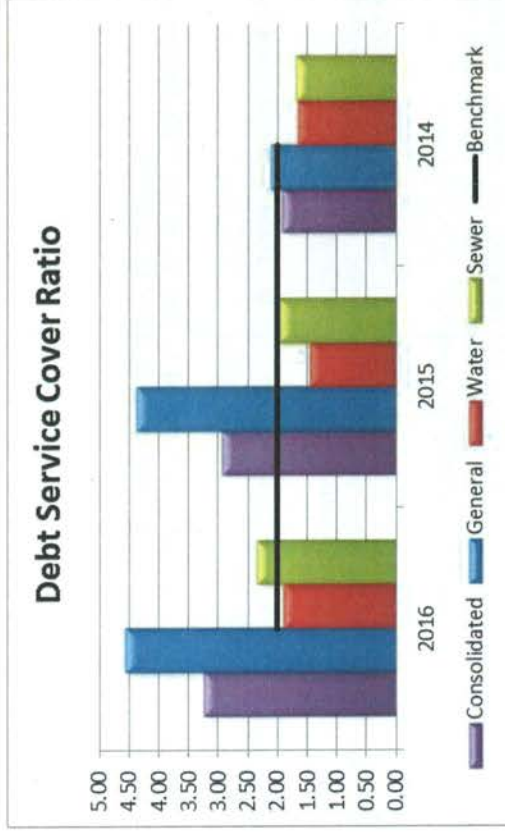
## Debt Service Cover Ratio

### Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The industry benchmark is greater than 2.00.

On both a consolidated and fund level, these graphs illustrates that Council is generating sufficient cash to satisfy its debt repayment obligations, with only the Water Fund being slightly under the benchmark at 1.90.

Ratios of these levels for a regional council such as Tweed Shire Council are acceptable under NSW Local Government performance measures.



## Other Matters

### Financial Report Planning

The 2017 and future financial years will be impacted by several new Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 124 <i>Related Parties</i>	1 July 2016	Introduces reporting of related party transactions to local government.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the calculation of the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2019	Introduces changes to the way in which certain revenue streams are recognised and reported. Comparative information will be required relating to the 2019 financial year.
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's finance team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting. This information should be presented to the Audit & Risk Committee and be included in the notes to the financial statements.



## Local Government Act Amendment

The NSW Parliament recently passed the *Local Government Amendment (Governance & Planning) Bill 2016*. There are a number of important amendments contained in this bill. These are discussed below:

### ■ Introduction of NSW Auditor-General as Auditor of Local Government in NSW

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The NSW Audit Office will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

### ■ Audit, Risk & Improvement Committee

Section 428A of the *Local Government Amendment (Governance & Planning) Bill 2016* requires all Councils to establish an Audit, Risk & Improvement Committee. Whilst Council already has an Audit Committee, the legislation changes the name of the committee and is a little more prescriptive in what its responsibilities are.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvements Committee include review of:

- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the council, and
- providing information on how to improve the council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the next ordinary election of councillors however it would be prudent to commence a review of the existing Committee charter to ensure it reflects the new legislative requirements and allow all committee members and Council staff to develop an approach that will achieve the desired outcomes.



### **Internal Control Environment**

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

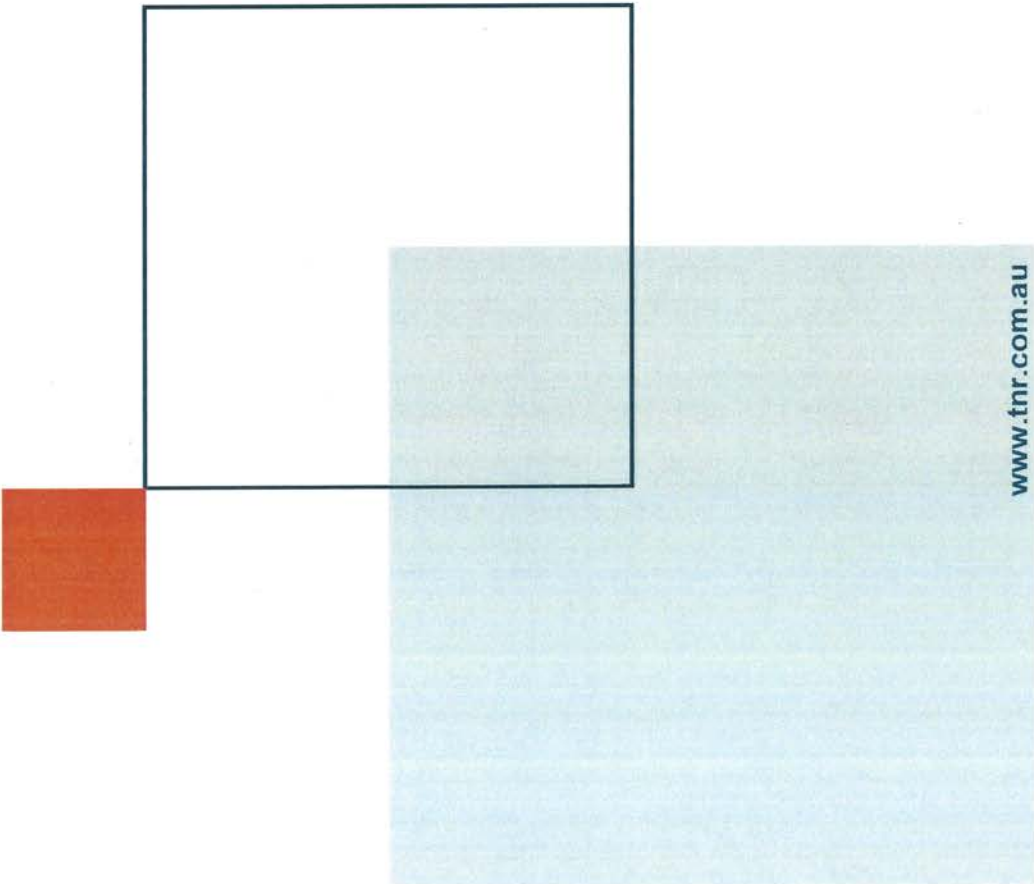
Yours faithfully

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**

.....  
A J BRADFIELD (Partner)  
Registered Company Auditor

Dated at Lismore this 27<sup>th</sup> day of October 2016.





Thomas  
Noble &  
Russell

Accountants | Auditors | Business Advisers

31 Keen Street, LISMORE, NSW, 2480  
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# Tweed Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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"TOGETHER FORWARD"



**TWEED**  
SHIRE COUNCIL

## Tweed Shire Council

Special Purpose Financial Statements  
for the year ended 30 June 2016

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**Background**

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).



## Tweed Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

**The attached Special Purpose Financial Statements have been prepared in accordance with:**

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 27 October 2016.**

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Katie Milne  
Mayor

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Gary Bagnall  
Councillor

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Troy Green  
General Manager

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Michael Chorlton  
Responsible Accounting Officer

## Tweed Shire Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	5,193	4,781
User charges	20,003	17,249
Fees	-	-
Interest	1,406	1,074
Grants and contributions provided for non-capital purposes	930	378
Profit from the sale of assets	-	-
Other income	827	398
<b>Total income from continuing operations</b>	<b>28,359</b>	<b>23,880</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	4,437	4,321
Borrowing costs	4,536	4,650
Materials and contracts	8,974	8,666
Depreciation and impairment	6,522	7,145
Water purchase charges	-	-
Loss on sale of assets	1,955	322
Calculated taxation equivalents	710	681
Debt guarantee fee (if applicable)	318	324
Other expenses	954	1,149
<b>Total expenses from continuing operations</b>	<b>28,406</b>	<b>27,258</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(47)</b>	<b>(3,378)</b>
Grants and contributions provided for capital purposes	3,858	5,835
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,811</b>	<b>2,457</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from all operations before tax</b>	<b>3,811</b>	<b>2,457</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,811</b>	<b>2,457</b>
Plus opening retained profits	191,621	188,263
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	710	681
- Debt guarantee fees	318	324
- Corporate taxation equivalent	-	-
Less:		
- Tax equivalent dividend paid	(105)	(104)
- Surplus dividend paid	-	-
<b>Closing retained profits</b>	<b>196,355</b>	<b>191,621</b>
Return on capital %	0.9%	0.3%
Subsidy from Council	-	-
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,811	2,457
Less: capital grants and contributions (excluding developer contributions)	(449)	(1,616)
<b>Surplus for dividend calculation purposes</b>	<b>3,362</b>	<b>841</b>
<b>Potential dividend calculated from surplus</b>	<b>1,681</b>	<b>421</b>



## Tweed Shire Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	26,644	24,655
User charges	-	-
Liquid trade waste charges	2,789	2,521
Fees	491	519
Interest	2,161	2,202
Grants and contributions provided for non-capital purposes	552	519
Profit from the sale of assets	-	-
Other income	20	22
<b>Total income from continuing operations</b>	<b>32,657</b>	<b>30,438</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	6,697	7,079
Borrowing costs	2,809	2,978
Materials and contracts	8,333	7,508
Depreciation and impairment	10,707	10,436
Loss on sale of assets	3,313	1,861
Calculated taxation equivalents	934	861
Debt guarantee fee (if applicable)	165	169
Other expenses	1,736	2,319
<b>Total expenses from continuing operations</b>	<b>34,694</b>	<b>33,211</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,037)</b>	<b>(2,773)</b>
Grants and contributions provided for capital purposes	5,291	5,216
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,254</b>	<b>2,443</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from all operations before tax</b>	<b>3,254</b>	<b>2,443</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,254</b>	<b>2,443</b>
Plus opening retained profits	232,038	228,666
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	934	861
- Debt guarantee fees	165	169
- Corporate taxation equivalent	-	-
Less:		
- Tax equivalent dividend paid	(101)	(101)
- Surplus dividend paid	-	-
<b>Closing retained profits</b>	<b>236,290</b>	<b>232,038</b>
Return on capital %	0.1%	0.0%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	3,254	2,443
Less: capital grants and contributions (excluding developer contributions)	(3,159)	(3,011)
<b>Surplus for dividend calculation purposes</b>	<b>95</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>48</b>	<b>-</b>

## Tweed Shire Council

Income Statement of Council's Other Business Activities  
for the year ended 30 June 2016

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
Access charges	–	–	2,612	2,520
User charges	–	–	2,641	2,598
Fees	9,565	8,546	–	–
Interest	510	580	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	369	497	127	8
<b>Total income from continuing operations</b>	<b>10,444</b>	<b>9,623</b>	<b>5,380</b>	<b>5,126</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	885	803	511	470
Borrowing costs	49	65	(9)	1
Materials and contracts	2,177	1,951	3,540	2,973
Depreciation and impairment	618	394	26	55
Loss on sale of assets	131	42	45	288
Calculated taxation equivalents	1,700	1,575	61	42
Debt guarantee fee (if applicable)	2	6	–	–
Other expenses	3,248	3,075	461	256
<b>Total expenses from continuing operations</b>	<b>8,810</b>	<b>7,911</b>	<b>4,635</b>	<b>4,085</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,634</b>	<b>1,712</b>	<b>745</b>	<b>1,041</b>
Grants and contributions provided for capital purposes	–	–	–	945
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,634</b>	<b>1,712</b>	<b>745</b>	<b>1,986</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,634</b>	<b>1,712</b>	<b>745</b>	<b>1,986</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(490)	(514)	(224)	(312)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,144</b>	<b>1,198</b>	<b>522</b>	<b>1,674</b>
Plus opening retained profits	29,060	26,634	13,344	11,316
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	1,700	1,575	61	42
– Debt guarantee fees	2	6	–	–
– Corporate taxation equivalent	490	514	224	312
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	(1,165)	(867)	–	–
<b>Closing retained profits</b>	<b>31,231</b>	<b>29,060</b>	<b>14,150</b>	<b>13,344</b>
Return on capital %	1.7%	1.9%	18.0%	28.1%
Subsidy from Council	529	1,064	–	–



## Tweed Shire Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	616	595
Investments	26,000	23,000
Receivables	3,318	3,063
Inventories	–	–
Other	19	27
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>29,953</b>	<b>26,685</b>
<b>Non-current assets</b>		
Investments	17,000	12,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	498,267	495,034
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>515,267</b>	<b>507,034</b>
<b>TOTAL ASSETS</b>	<b>545,220</b>	<b>533,719</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	404	498
Borrowings	1,349	1,258
Provisions	–	–
<b>Total current liabilities</b>	<b>1,753</b>	<b>1,756</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	62,196	63,545
Provisions	–	–
<b>Total non-current liabilities</b>	<b>62,196</b>	<b>63,545</b>
<b>TOTAL LIABILITIES</b>	<b>63,949</b>	<b>65,301</b>
<b>NET ASSETS</b>	<b>481,271</b>	<b>468,418</b>
<b>EQUITY</b>		
Retained earnings	196,355	191,621
Revaluation reserves	284,916	276,797
Council equity interest	481,271	468,418
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>481,271</b>	<b>468,418</b>

## Tweed Shire Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,816	499
Investments	35,000	31,000
Receivables	2,232	2,437
Inventories	–	–
Other	17	26
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>41,065</b>	<b>33,962</b>
<b>Non-current assets</b>		
Investments	31,000	30,000
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	610,378	604,290
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>641,378</b>	<b>634,290</b>
<b>TOTAL ASSETS</b>	<b>682,443</b>	<b>668,252</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	951	581
Borrowings	2,255	2,086
Provisions	–	–
<b>Total current liabilities</b>	<b>3,206</b>	<b>2,667</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	29,545	31,800
Provisions	–	–
<b>Total non-current liabilities</b>	<b>29,545</b>	<b>31,800</b>
<b>TOTAL LIABILITIES</b>	<b>32,751</b>	<b>34,467</b>
<b>NET ASSETS</b>	<b>649,692</b>	<b>633,785</b>
<b>EQUITY</b>		
Retained earnings	236,290	232,038
Revaluation reserves	413,402	401,747
Council equity interest	649,692	633,785
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>649,692</b>	<b>633,785</b>



## Tweed Shire Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

\$ '000	Holiday Parks		Commercial Waste	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	4,002	300	2,658	1,627
Investments	15,035	17,984	9,345	9,763
Receivables	213	200	–	–
Inventories	–	–	–	–
Other	142	154	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>19,392</b>	<b>18,638</b>	<b>12,003</b>	<b>11,390</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	101,955	94,073	4,089	3,708
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>101,955</b>	<b>94,073</b>	<b>4,089</b>	<b>3,708</b>
<b>TOTAL ASSETS</b>	<b>121,347</b>	<b>112,711</b>	<b>16,092</b>	<b>15,098</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	2,643	2,313	295	98
Borrowings	60	129	–	–
Provisions	442	294	–	–
<b>Total current liabilities</b>	<b>3,145</b>	<b>2,736</b>	<b>295</b>	<b>98</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	417	1,032	–	–
Provisions	–	93	310	319
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>417</b>	<b>1,125</b>	<b>310</b>	<b>319</b>
<b>TOTAL LIABILITIES</b>	<b>3,562</b>	<b>3,861</b>	<b>605</b>	<b>417</b>
<b>NET ASSETS</b>	<b>117,785</b>	<b>108,850</b>	<b>15,487</b>	<b>14,681</b>
<b>EQUITY</b>				
Retained earnings	31,231	29,060	14,150	13,344
Revaluation reserves	86,554	79,790	1,337	1,337
Council equity interest	<b>117,785</b>	<b>108,850</b>	<b>15,487</b>	<b>14,681</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>117,785</b>	<b>108,850</b>	<b>15,487</b>	<b>14,681</b>

## Tweed Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

## Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

## Tweed Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

- a. **Tweed Water**  
*Supply of water*
- b. **Tweed Sewerage**  
*Sewerage Services*
- c. **Tweed Coast Holiday Parks**  
*Holiday/Caravan parks*
- d. **Commercial Waste**  
*Non-domestic waste collection and disposal*

##### Category 2

(where gross operating turnover is less than \$2 million)

**Nil**

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.



## Tweed Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

## Tweed Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.



## Tweed Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	1,028,000
(ii)	Number of assessments multiplied by \$3/assessment	107,418
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	107,418
(iv)	Amounts actually paid for tax equivalents	106,275

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,681,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	966,762
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	7,227,000

2016 Surplus	3,362,000	2015 Surplus	841,000	2014 Surplus	3,024,000
		2015 Dividend	-	2014 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	966,762
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	- Complying charges [item 2 (b) in table 1]	YES
	- DSP with commercial developer charges [item 2 (e) in table 1]	YES
	- If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES



## Tweed Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	30,926
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.47%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	498,165
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	13,681
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,173
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.15%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## Tweed Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i) Calculated tax equivalents	1,099,000
(ii) Number of assessments multiplied by \$3/assessment	102,570
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	102,570
(iv) Amounts actually paid for tax equivalents	101,415

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	47,500
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	923,130
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(546,000)

2016 Surplus	95,000	2015 Surplus	(568,000)	2014 Surplus	(73,000)
		2015 Dividend	-	2014 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	NO
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES

## Tweed Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	35,878
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	609,987
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	15,992
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	5,285
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.50%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	61,536
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.22%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	8,458
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.80%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Tweed Shire Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-1.60%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	8,778
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	750

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



# Tweed Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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"TOGETHER FORWARD"



**TWEED**  
SHIRE COUNCIL

## Tweed Shire Council

## Special Schedules

for the year ended 30 June 2016

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

**Background**

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.



## Tweed Shire Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,959</b>	<b>2</b>	<b>–</b>	<b>(2,957)</b>
<b>Administration</b>	<b>16,358</b>	<b>2,021</b>	<b>513</b>	<b>(13,824)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,159	268	8	(883)
Beach control	1,124	18	–	(1,106)
Enforcement of local government regulations	1,123	463	–	(660)
Animal control	362	212	–	(150)
Other	(172)	–	–	172
<b>Total public order and safety</b>	<b>3,596</b>	<b>961</b>	<b>8</b>	<b>(2,627)</b>
<b>Health</b>	<b>1,972</b>	<b>427</b>	<b>–</b>	<b>(1,545)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	490	1	–	(489)
Other environmental protection	4,252	1,680	64	(2,508)
Solid waste management	14,153	20,378	–	6,225
Street cleaning	–	–	–	–
Drainage	5,420	140	1,192	(4,088)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>24,315</b>	<b>22,199</b>	<b>1,256</b>	<b>(860)</b>
<b>Community services and education</b>				
Administration and education	1,602	34	–	(1,568)
Social protection (welfare)	336	1,404	–	1,068
Aged persons and disabled	459	30	–	(429)
Children's services	16	3	–	(13)
<b>Total community services and education</b>	<b>2,413</b>	<b>1,471</b>	<b>–</b>	<b>(942)</b>
<b>Housing and community amenities</b>				
Public cemeteries	1,126	794	30	(302)
Public conveniences	900	–	–	(900)
Street lighting	883	152	–	(731)
Town planning	4,424	1,104	–	(3,320)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>7,333</b>	<b>2,050</b>	<b>30</b>	<b>(5,253)</b>
<b>Water supplies</b>	<b>23,166</b>	<b>27,130</b>	<b>3,858</b>	<b>7,822</b>
<b>Sewerage services</b>	<b>29,532</b>	<b>32,523</b>	<b>5,291</b>	<b>8,282</b>

## Tweed Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

Function or activity	\$'000			Net cost of services
	Expenses from continuing operations	Income from continuing operations		
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	2,592	247	200	(2,145)
Museums	716	8	–	(708)
Art galleries	1,913	866	346	(701)
Community centres and halls	764	333	526	95
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	135	2	–	(133)
Sporting grounds and venues	1,927	359	1,172	(396)
Swimming pools	4,061	1,566	65	(2,430)
Parks and gardens (lakes)	7,156	133	1,275	(5,748)
Other sport and recreation	1,714	43	–	(1,671)
<b>Total recreation and culture</b>	<b>20,978</b>	<b>3,557</b>	<b>3,584</b>	<b>(13,837)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	1,982	2,210	–	228
Other mining, manufacturing and construction	15	(3)	–	(18)
<b>Total mining, manufacturing and const.</b>	<b>1,997</b>	<b>2,207</b>	<b>–</b>	<b>210</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	13,662	387	5,069	(8,206)
Urban roads – regional	55	23	–	(32)
Sealed rural roads (SRR) – local	1,380	3,515	152	2,287
Sealed rural roads (SRR) – regional	1,213	1,859	429	1,075
Unsealed rural roads (URR) – local	2,389	(27)	6	(2,410)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	884	–	–	(884)
Bridges on SRR – local	2,575	–	740	(1,835)
Bridges on URR – local	13	–	–	(13)
Bridges on regional roads	79	–	–	(79)
Parking areas	210	75	–	(135)
Footpaths	1,708	3	679	(1,026)
Aerodromes	66	61	–	(5)
Other transport and communication	2,624	419	1,551	(654)
<b>Total transport and communication</b>	<b>26,858</b>	<b>6,315</b>	<b>8,626</b>	<b>(11,917)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	7,639	9,420	–	1,781
Other economic affairs	1,646	132	–	(1,514)
<b>Total economic affairs</b>	<b>9,285</b>	<b>9,552</b>	<b>–</b>	<b>267</b>
<b>Totals – functions</b>	<b>170,762</b>	<b>110,415</b>	<b>23,166</b>	<b>(37,181)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>68,506</b>		<b>68,506</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	–	–	–
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>170,762</b>	<b>178,921</b>	<b>23,166</b>	<b>31,325</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Tweed Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)  
for the year ended 30 June 2016

Classification of debt	Principal outstanding at beginning of the year		New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year	
	Current	Non-current		From revenue	Sinking funds			Current	Non-current
<b>Loans (by source)</b>									
Commonwealth government	-	-	-	-	-	-	-	-	-
Treasury corporation	-	-	-	-	-	-	-	-	-
Other state government	1,812	7,761	-	2,368	-	-	49	1,742	5,463
Public subscription	-	-	-	-	-	-	-	-	-
Financial institutions	5,929	170,444	1,976	6,050	-	-	12,865	6,370	165,929
Other	-	-	-	-	-	-	-	-	-
<b>Total loans</b>	<b>7,741</b>	<b>178,205</b>	<b>1,976</b>	<b>8,418</b>	-	-	<b>12,914</b>	<b>8,112</b>	<b>171,392</b>
<b>Other long term debt</b>									
Ratepayers advances	-	-	-	-	-	-	-	-	-
Government advances	-	-	-	-	-	-	-	-	-
Finance leases	-	-	-	-	-	-	-	-	-
Deferred payments	-	-	-	-	-	-	-	-	-
<b>Total long term debt</b>	-	-	-	-	-	-	-	-	-
<b>Total debt</b>	<b>7,741</b>	<b>178,205</b>	<b>1,976</b>	<b>8,418</b>	-	-	<b>12,914</b>	<b>8,112</b>	<b>171,392</b>
									<b>179,504</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.  
This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).



**Tweed Shire Council**

**Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the Local Government Act 1993]**  
for the year ended 30 June 2016

\$'000

**Summary of internal loans**

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General	430,000	443,631	-
Water			
Sewer			
Domestic waste management			
Gas			
Other			
<b>Totals</b>	<b>430,000</b>	<b>443,631</b>	<b>-</b>

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

**Details of individual internal loans**

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Records Facility	DWM	28/03/2012	30/06/2013	5	30/06/18	3.17%	430,000	443,631	-
<b>Totals</b>							<b>430,000</b>	<b>443,631</b>	<b>-</b>

## Tweed Shire Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	4,527	4,289
b. Engineering and supervision	1,659	1,681
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	346	368
b. Maintenance expenses	107	91
– <b>Mains</b>		
c. Operation expenses	155	134
d. Maintenance expenses	1,099	898
– <b>Reservoirs</b>		
e. Operation expenses	170	172
f. Maintenance expenses	103	166
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	160	181
h. Energy costs	617	777
i. Maintenance expenses	120	197
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	1,368	1,290
k. Chemical costs	808	930
l. Maintenance expenses	279	370
– <b>Other</b>		
m. Operation expenses	619	554
n. Maintenance expenses	1,493	1,377
o. Purchase of water	51	46
<b>3. Depreciation expenses</b>		
a. System assets	6,489	7,097
b. Plant and equipment	33	48
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	4,536	4,609
b. Revaluation decrements	–	–
c. Other expenses	683	657
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	106	105
<b>5. Total expenses</b>	<b>25,528</b>	<b>26,037</b>

## Tweed Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
<b>6. Residential charges</b>		
a. Access (including rates)	4,614	4,250
b. Usage charges	14,199	11,690
<b>7. Non-residential charges</b>		
a. Access (including rates)	579	532
b. Usage charges	5,804	4,634
<b>8. Extra charges</b>	115	111
<b>9. Interest income</b>	1,291	963
<b>10. Other income</b>	827	1,119
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	4
b. Grants for pensioner rebates	382	379
c. Other grants	548	–
<b>12. Contributions</b>		
a. Developer charges	3,409	4,219
b. Developer provided assets	449	1,612
c. Other contributions	–	204
<b>13. Total income</b>	<u>32,217</u>	<u>29,717</u>
<b>14. Gain (or loss) on disposal of assets</b>	(1,955)	(322)
<b>15. Operating result</b>	<u>4,734</u>	<u>3,358</u>
<b>15a. Operating result (less grants for acquisition of assets)</b>	4,734	3,354



## Tweed Shire Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	645	715
b. New assets for growth	86	746
c. Renewals	2,397	469
d. Plant and equipment	45	25
<b>17. Repayment of debt</b>	1,258	1,185
<b>18. Totals</b>	<u>4,431</u>	<u>3,140</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	-	-
<b>20. Borrowing utilised</b>	-	-
<b>21. Totals</b>	<u>-</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	32,931	32,091
b. Residential (unoccupied, ie. vacant lot)	1,058	1,444
c. Non-residential (occupied)	1,661	1,698
d. Non-residential (unoccupied, ie. vacant lot)	156	192
<b>23. Number of ETs for which developer charges were received</b>	263 ET	331 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 693,010	\$ 706,492

## Tweed Shire Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	1,701	–	1,701
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	24,915	17,000	41,915
<b>26. Receivables</b>			
a. Specific purpose grants	2	–	2
b. Rates and availability charges	239	–	239
c. User charges	3,077	–	3,077
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	498,165	498,165
b. Plant and equipment	–	102	102
<b>29. Other assets</b>	19	–	19
<b>30. Total assets</b>	<u>29,953</u>	<u>515,267</u>	<u>545,220</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	404	–	404
<b>33. Borrowings</b>	1,349	62,196	63,545
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<u>1,753</u>	<u>62,196</u>	<u>63,949</u>
<b>36. NET ASSETS COMMITTED</b>	<u>28,200</u>	<u>453,071</u>	<u>481,271</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			196,355
<b>38. Asset revaluation reserve</b>			284,916
<b>39. TOTAL EQUITY</b>			<u>481,271</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost of system assets</b>			672,111
<b>41. Accumulated current cost depreciation of system assets</b>			(173,946)
<b>42. Written down current cost of system assets</b>			<u>498,165</u>

## Tweed Shire Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	3,847	3,744
b. Engineering and supervision	1,641	1,550
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	280	203
b. Maintenance expenses	1,462	1,446
– Pumping stations		
c. Operation expenses (excluding energy costs)	715	664
d. Energy costs	495	748
e. Maintenance expenses	1,740	1,656
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,854	1,806
g. Chemical costs	747	649
h. Energy costs	951	1,225
i. Effluent management	46	44
j. Biosolids management	759	859
k. Maintenance expenses	1,056	1,159
– Other		
l. Operation expenses	297	301
m. Maintenance expenses	102	58
<b>3. Depreciation expenses</b>		
a. System assets	10,595	10,326
b. Plant and equipment	112	110
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2,809	2,978
b. Revaluation decrements	–	–
c. Other expenses	776	718
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	101	100
<b>5. Total expenses</b>	<b>30,385</b>	<b>30,344</b>



## Tweed Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
<b>6. Residential charges</b> (including rates)	24,480	22,666
<b>7. Non-residential charges</b>		
a. Access (including rates)	2,172	1,995
b. Usage charges	1,993	1,847
<b>8. Trade waste charges</b>		
a. Annual fees	82	68
b. Usage charges	718	609
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	89	91
<b>10. Interest income</b>	2,072	2,111
<b>11. Other income</b>	685	643
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	368	366
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	2,132	2,205
b. Developer provided assets	3,159	2,976
c. Other contributions	–	–
<b>14. Total income</b>	<u>37,950</u>	<u>35,577</u>
<b>15. Gain (or loss) on disposal of assets</b>	(3,313)	(1,861)
<b>16. Operating result</b>	<u>4,252</u>	<u>3,372</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	4,252	3,372

## Tweed Shire Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	538	238
b. New assets for growth	648	1,575
c. Renewals	3,971	3,225
d. Plant and equipment	128	4
<b>18. Repayment of debt</b>	2,605	3,049
<b>19. Totals</b>	<u>7,890</u>	<u>8,091</u>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>	-	-
<b>22. Totals</b>	<u>-</u>	<u>-</u>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	31,457	30,661
b. Residential (unoccupied, ie. vacant lot)	990	1,389
c. Non-residential (occupied)	1,601	1,593
d. Non-residential (unoccupied, ie. vacant lot)	142	162
<b>24. Number of ETs for which developer charges were received</b>	337 ET	353 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 668,527	\$ 664,006

## Tweed Shire Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	6,208	-	6,208
e. Sinking fund	-	-	-
f. Other	32,608	31,000	63,608
<b>27. Receivables</b>			
a. Specific purpose grants	2	-	2
b. Rates and availability charges	1,153	-	1,153
c. User charges	1,077	-	1,077
d. Other	-	-	-
<b>28. Inventories</b>	-	-	-
<b>29. Property, plant and equipment</b>			
a. System assets	-	609,987	609,987
b. Plant and equipment	-	391	391
<b>30. Other assets</b>	17	-	17
<b>31. Total assets</b>	<u>41,065</u>	<u>641,378</u>	<u>682,443</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	-	-	-
<b>33. Creditors</b>	951	-	951
<b>34. Borrowings</b>	2,255	29,545	31,800
<b>35. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>36. Total liabilities</b>	<u>3,206</u>	<u>29,545</u>	<u>32,751</u>
<b>37. NET ASSETS COMMITTED</b>	<u>37,859</u>	<u>611,833</u>	<u>649,692</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			236,290
<b>39. Asset revaluation reserve</b>			413,402
<b>40. TOTAL EQUITY</b>			<u>649,692</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			835,714
<b>42. Accumulated current cost</b> depreciation of system assets			(225,727)
<b>43. Written down current cost</b> of system assets			<u>609,987</u>



## Tweed Shire Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is used when I,PP&E decreases in FV.

**Impairment losses** (items 4d and 4e of Special Schedules 3 and 5) are used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings<sup>(b)</sup></b>	Civic Buildings/Admin	315	-	278	366	30,359	36,495	6%	25%	67%	0%	2%
	Community	329	-	148	168	16,327	18,387	27%	37%	22%	12%	2%
	Cultural	-	-	63	119	22,795	24,805	52%	23%	25%	0%	0%
	Emergency	28	-	22	7	3,082	3,445	8%	43%	45%	4%	0%
	Operational	444	-	145	190	17,917	19,711	41%	27%	19%	9%	4%
	Public Toilets	39	-	48	203	6,499	7,002	23%	34%	34%	9%	0%
	Recreation	218	-	185	292	31,260	34,048	35%	28%	33%	3%	1%
	Residential	193	-	56	12	2,031	3,437	11%	10%	55%	12%	12%
	<b>Sub-total</b>	<b>1,566</b>	<b>-</b>	<b>945</b>	<b>1,357</b>	<b>130,270</b>	<b>147,330</b>	<b>28.7%</b>	<b>27.6%</b>	<b>37.7%</b>	<b>4.2%</b>	<b>1.8%</b>
	<b>Other structures</b>	Other structures	99	-	3	2	370	695	49%	5%	5%	32%
<b>Sub-total</b>		<b>99</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>370</b>	<b>695</b>	<b>49.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>32.0%</b>	<b>9.0%</b>
<b>Roads</b>	Sealed roads	7,139	-	4,599	3,230	447,407	599,989	27%	53%	16%	4%	0%
	Unsealed roads	141	-	81	591	3,142	5,811	23%	21%	49%	7%	0%
	Bridges	13	-	203	314	159,456	186,664	82%	17%	1%	0%	0%
	Footpaths	451	-	342	508	30,946	37,911	61%	8%	19%	11%	1%
	Kerb and gutter	755	-	265	160	44,715	55,004	72%	13%	9%	5%	1%
	Bulk earthworks	-	-	-	-	144,337	144,337	100%	0%	0%	0%	0%
	Street furniture	24	-	12	100	9,814	10,843	91%	6%	2%	1%	0%
	Car parks	120	-	41	2	6,338	8,025	74%	9%	11%	5%	1%
	<b>Sub-total</b>	<b>8,643</b>	<b>-</b>	<b>5,543</b>	<b>4,905</b>	<b>846,155</b>	<b>1,048,584</b>	<b>51.4%</b>	<b>34.6%</b>	<b>10.9%</b>	<b>3.0%</b>	<b>0.1%</b>



Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
<b>Water supply network</b>	Dams/weirs	-	-	112	237	71,259	71,965	98%	2%	0%	0%	0%	0%
	Mains	12,814	-	1,253	1,474	240,908	396,211	71%	19%	7%	2%	1%	
	Reservoirs	-	-	103	91	40,085	42,672	37%	46%	17%	0%	0%	
	Pumping station/s	68	-	737	1,148	14,697	19,651	54%	38%	8%	0%	0%	
	Treatment	-	-	2,435	2,739	82,363	91,208	92%	8%	0%	0%	0%	
	Buildings	-	-	-	-	9,744	10,228	89%	10%	1%	0%	0%	
	<b>Sub-total</b>	<b>12,882</b>	<b>-</b>	<b>4,640</b>	<b>5,689</b>	<b>459,056</b>	<b>631,935</b>	<b>74.6%</b>	<b>17.7%</b>	<b>5.8%</b>	<b>1.3%</b>	<b>0.6%</b>	
<b>Sewerage network</b>	Mains	27,782	-	1,462	1,628	297,524	486,782	68%	20%	6%	1%	5%	
	Pumping station/s	-	-	2,235	2,725	67,785	81,011	52%	31%	17%	0%	0%	
	Treatment	266	-	4,249	4,649	182,113	204,465	79%	20%	1%	0%	0%	
	Buildings	12	-	-	-	6,259	6,653	89%	10%	0%	1%	0%	
	<b>Sub-total</b>	<b>28,060</b>	<b>-</b>	<b>7,946</b>	<b>9,002</b>	<b>553,681</b>	<b>778,911</b>	<b>69.4%</b>	<b>21.1%</b>	<b>5.8%</b>	<b>0.6%</b>	<b>3.1%</b>	



Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	14,962	-	638	1,147	152,307	226,463	26%	30%	31%	2%	11%
	<b>Sub-total</b>	<b>14,962</b>	<b>-</b>	<b>638</b>	<b>1,147</b>	<b>152,307</b>	<b>226,463</b>	<b>26.0%</b>	<b>30.0%</b>	<b>31.0%</b>	<b>2.0%</b>	<b>11.0%</b>
Open space/recreational assets	Swimming pools <sup>(b)</sup> Recreation other structures	- 597	- -	62 532	62 520	3,229 25,726	4,994 34,565	3% 66%	96% 12%	1% 19%	0% 2%	0% 1%
	<b>Sub-total</b>	<b>597</b>	<b>-</b>	<b>594</b>	<b>582</b>	<b>28,955</b>	<b>39,559</b>	<b>58.0%</b>	<b>22.6%</b>	<b>16.7%</b>	<b>1.7%</b>	<b>0.9%</b>
Other infrastructure assets	Other structures	784	-	170	150	6,028	11,681	28%	0%	55%	3%	14%
	<b>Sub-total</b>	<b>784</b>	<b>-</b>	<b>170</b>	<b>150</b>	<b>6,028</b>	<b>11,681</b>	<b>28.0%</b>	<b>0.0%</b>	<b>55.0%</b>	<b>3.0%</b>	<b>14.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>67,593</b>	<b>-</b>	<b>20,479</b>	<b>22,834</b>	<b>2,176,822</b>	<b>2,885,158</b>	<b>58.2%</b>	<b>26.2%</b>	<b>11.6%</b>	<b>2.0%</b>	<b>2.0%</b>

Notes:

- a Required maintenance is the amount identified in Council's asset management plans.
- b Tweed Coast Holiday Parks assets are managed outside of Council's Asset Management Strategy, Policy and Plans and therefore this data is not applicable.

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>25,604</u>	67.51%	39.59%	73.48%
Depreciation, amortisation and impairment	<u>37,927</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>67,593</u>	3.31%	5.21%	5.63%
Carrying value of infrastructure assets	<u>2,044,095</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>22,834</u>	1.11	0.92	0.82
Required asset maintenance	<u>20,479</u>			

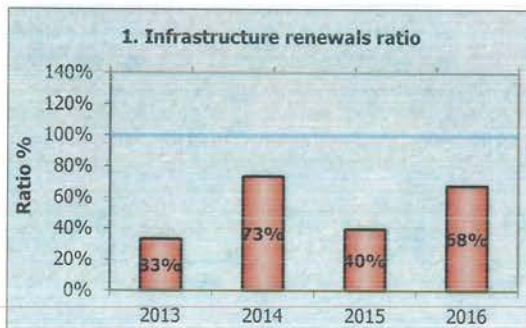
## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Tweed Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016



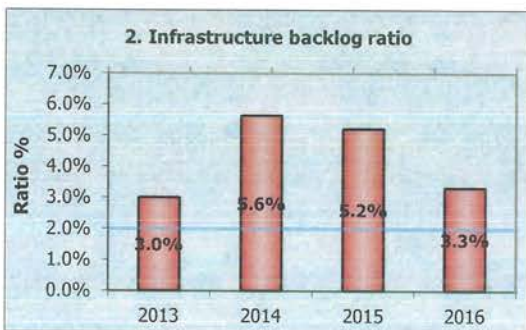
Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

2015/16 Ratio 67.51%

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



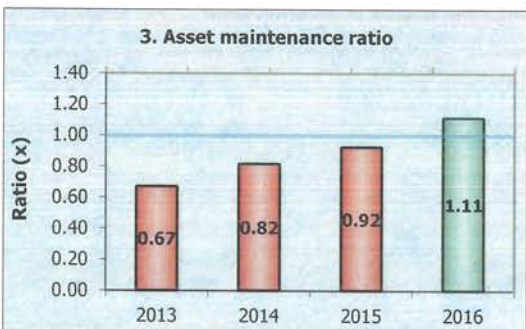
Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

2015/16 Ratio 3.31%

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

2015/16 Ratio 1.11 x

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
Ratio is outside benchmark



## Tweed Shire Council

**Special Schedule 7 – Report on Infrastructure Assets** (continued)  
 for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>32.66%</b>	<b>26.17%</b>	<b>99.56%</b>
Depreciation, amortisation and impairment			
prior period:	6.69%	6.07%	63.64%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>2.81%</b>	<b>5.07%</b>	<b>2.58%</b>
Carrying value of infrastructure assets			
prior period:	2.38%	1.85%	8.30%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>1.23</b>	<b>1.13</b>	<b>1.03</b>
Required asset maintenance			
prior period:	0.79	0.95	0.95

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Tweed Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	55,220	56,838
Plus or minus adjustments <sup>(2)</sup>	b	463	368
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>55,683</b>	<b>57,206</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	2.77%
Or rate peg percentage	e	2.40%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	-	-
Plus special variation amount	h = d x (c - g)	-	1,585
Or plus rate peg amount	i = c x e	1,336	-
Or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>57,019</b>	<b>58,791</b>
Plus (or minus) last year's carry forward total	l	-	181
Less valuation objections claimed in the previous year	m	-	-
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>-</b>	<b>181</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>57,019</b>	<b>58,972</b>
Less notional general income yield	p	56,838	58,789
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>181</b>	<b>183</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	-	-
Less unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	<b>t = q + r - s</b>	<b>181</b>	<b>183</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

## Tweed Shire Council

### Special Schedule 8 – Independent Auditors Report

for the year ended 30 June 2017

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#### **Report on Special Schedule 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Tweed Shire Council for the year ending 30 June 2017.

#### **Responsibility of Council for Special Schedule 8**

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditors' responsibility**

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



**Audit opinion**

In our opinion, Special Schedule 8 of Tweed Shire Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

**Basis of accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

FIRM NAME

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Partner Name here...

**Partner**

Dated at Sydney this XXth day of XXXXXXXX, 2015